Weekend FT

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The secret policeman's fall

Now that the Party is over where have all eastern Europe's spies gone, asks **John Lloyd** *Page I*

A King's Christmas
Michael Thompson-Noel treats himself to some expensive presents: paintings (left), cars, clothes . . . *Page XIII*

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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Weekend November 10/11 1990

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WORLD NEWS

Ireland elects first woman president

Mary Robinson, a Dublin barrister who has fought to legalise divorce and contraception, last night became Ireland's first woman president after votes were counted in the second electoral stage.

Although her main opponent, the sacked deputy prime minister Brian Lenihan, won a majority of first preference votes, Mrs Robinson took more than 80 per cent of transferred votes from the third candidate, Austin Currie.

Meanwhile, Alan Dukes, leader of Irish opposition party Fine Gael, will face a motion of no confidence at a party meeting next week. **Page 2**
Woman in the news, Page 6

Brooke conciliatory
Northern Ireland Secretary Peter Brooke appealed to the IRA to abandon terrorism and assured the province's minority community that it was not the aspiration to a united Ireland to which Britain objected – only its "violent expression". **Page 22**

Indian PM to take office
Chandra Shekhar, leader of a breakaway faction of India's Janata Dal party, will be sworn in today as the country's prime minister after the two largest parties – the Congress and the Hindu militant BJP – refused to form a government. **Page 22; Sweet revenge, Page 3**

Moscow-Bonn accord
Soviet president Mikhail Gorbachev urged greater German help for his country's economy after he and Chancellor Helmut Kohl signed a 20-year partnership and co-operation treaty. **Page 2**

Finnish land assurance
Finland does not plan to ask for the return of territories ceded to the Soviet Union after *the Second World War, Foreign* Minister Pertti Paasio said.

Petrol price reductions
Total Oil is to cut petrol prices by 5.4p a gallon from midnight tomorrow, taking the average price of four-star to 216.9p and unleaded to 203.3p. Texaco will take 4.5p a gallon off four-star and unleaded from the same date, making four-star 217.8p and unleaded 204.1p. Shell and BP said they would consider a price cut on Monday.

Israelis back withdrawal
Thirty-three per cent of Israelis favour withdrawal from the occupied West Bank and Gaza Strip, while another 30 per cent favour Palestinian autonomy under the Jewish state, according to an opinion poll for a Jerusalem newspaper.

Jaguar lays off 2,000
Luxury car manufacturer Jaguar laid off 2,000 employees – over a fifth of its workforce – and stopped car assembly for three days. **Page 5**

Record year for Lourdes
A record number of Roman Catholic pilgrims visited the shrine of Lourdes in 1990, officials said. More than 17,000 of the 1.2m visitors were from east and central Europe.

UFO reports scotched
French space agency said mysterious lights in the sky reported as UFOs in five European countries were caused by parts of a Soviet rocket re-entering the atmosphere.

Botham portrait unsold
A portrait of cricketer Ian Botham, expected to fetch £50,000, was one of a collection of 18 paintings by Scottish artist John Bellany which failed to reach their reserve prices at Christie's in London.

BUSINESS SUMMARY

Insolvencies rise 23% as economy lags

THE number of company failures in England and Wales as a result of the sharp downturn in the economy increased by 23 per cent on the previous quarter, with 4,018 companies formally registering their insolvency in the July-September period – *evidence of the* impact of continuing high interest rates and weakening economic activity.

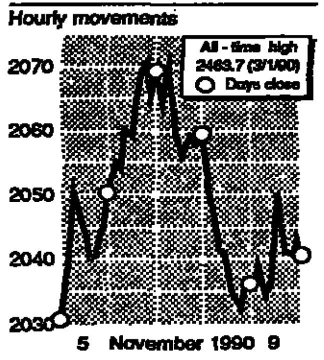
The British Chambers of Commerce, which released the figures on behalf of the Department of Trade and Industry, said they confirmed recent indications that the economy was now in recession. **Page 22**

UNILEVER, the Anglo-Dutch food and consumer products group, increased third quarter pre-tax profits by only 8 per cent to £488m because of a *sharp decline in the contribu*tion from North America. **Page 8; Lex, Page 22**

SAATCHI & SAATCHI, the advertising group, is trying to conclude negotiations over the restructuring of its £212m Euroconvertible preference bonds in time for the publication of its preliminary results in December and in order to prevent further damage to Saatchi's share price and to staff morale. **Page 8**

LONDON EQUITIES: Over the week, *the FT-SE 100 index has* gained 10 points as it traded uneasily beneath the shadow of the Gulf crisis. The market ended the day, and the first week of the two-week trading

FT-SE 100 Index
Hourly movements



account, in subdued form, with the index 4.4 points up at 2,040.6. Traders said that the market had rallied at the day's low of 2,033.5, reinforcing the level at which it steadied a week ago. *London stocks,* **Page 13; Lex, Page 22**

JAPAN's largest steelmakers generally suffered falls in half-year pre-tax profits, with Nippon Steel reporting a 13.1 per cent fall to Y80.2bn ($572m). **Page 10**

JAPANESE BANKS: Moody's, the US credit rating agency, removed AAA rating from two leading banks, Sumitomo Bank and Mitsubishi Bank. It said it acted out of concern about the banks' declining profitability and their exposure to risky markets, including the Japanese property market. **Page 10**

OXFORD INSTRUMENTS, the body-scanning business, increased interim pre-tax profits to £6.1m before exceptional items. **Page 9**

ENIMONT: A *judicial custo*dian appointed by a Milan court took charge of the 80 per cent of Enimont stock owned by the warring partners in the chemicals joint venture, ENI and Montedison, after the public sector energy company secured a temporary injunction. **Page 10**

QANTAS, Australia's state-owned international airline, is planning to cut 500 jobs during the next three months and reduce its flying. **Page 10**

Pressure grows for leadership challenge to PM

By Ivo Dawnay and Ralph Atkins

DISAFFECTED Tory MPs were yesterday putting pressure on potential challengers to Mrs Margaret Thatcher to declare their candidacies *as Mr Neil Kinnock, Labour leader,* described his party's two by-election victories as "a notice to quit".

The resounding defeats for the Tories in Bradford North and Bootle have sharply raised the likelihood of a leadership challenge amid speculation that Mr Michael Heseltine or Sir Geoffrey Howe might be persuaded to throw their hats in the ring.

With less than a week to go before nominations close, Mr Heseltine's backers were anxiously testing the extent of his support as a rift appeared in his constituency party over whether he should challenge for *the leadership.*

The former defence secretary is thought likely to prefer a "stalking horse" candidate to launch a contest. Others argue that he must declare his challenge now or risk being accused of cowardice. Pressure was also mounting on Sir Geoffrey Howe to reconsider his refusal to stand. The former deputy prime minister will next week make his first speech since resigning after warning last Thursday that his differences with the prime minister over Europe were of "substance" as well as style.

The deepening demoralisation of *the party came as a jubilant Mr Kin*nock taunted his opponents for failing to take on the prime minister. "This is truly a notice for the Tories to quit," he said. "The pity is they are too scared to move."

His confidence was boosted by one of Labour's best by-election results of this parliament. In Bradford North, the Tories were knocked into a humiliating third place behind the Liberal Democrats. In Bootle, Labour returned a 19,000 majority against less than 3,000 for the Tories on a sharply lower poll.

Publicly ministers continued to *close ranks around the prime minis*ter. Mr Kenneth Baker, the party chairman, insisted that an economic recovery next year would restore the party's fortunes, adding that Mrs Thatcher remained the Conservatives "greatest asset".

But behind the scenes in Westminster, however, there was no evidence of any let up in the tension that has built up steadily since Sir Geoffrey Howe's resignation eight days ago.

Public evidence of the disarray within Tory ranks emerged in Mr Heseltine's own constituency of Henley-on-Thames where the Conserva*tive mayor and the vice-chairman of* the local party association both called on their MP to contest the leadership.

The call came in stark contrast to a letter written to Mr Heseltine earlier this week from Mr Peter Owen, the constituency chairman, implicitly reprimanding the MP for failing to support Mrs Thatcher.

Labour election machine, Page 4
Faint hope amid storm, Page 7

Criticism of Major's proposals for Europe adds to government's isolation

Pöhl rejects UK's hard Ecu plan

By Peter Norman, Economics Correspondent

BRITAIN'S PLANS for a hard Ecu and European Monetary Fund were yesterday rejected by Mr Karl Otto Pöhl, the president of the German Bundesbank, as providing "the worst possible recipe for monetary policy" in Europe.

In a speech at the London School of *Economics, Mr Pöhl* said the EMF, which has been proposed by Mr John major, the chancellor, to manage the UK's hard Ecu alternative to a single European currency, could lead to the establishment of a "grey area *in monetary policy" in which* compromises were "pre-programmed".

He told a conference on Britain and European economic and monetary union that responsibility for monetary policy decisions must be indivisible and that the EMF did not meet this criterion.

Such indivisibility could only be achieved if the decision-making powers were transferred to a supra-national institution such as a European central bank which ensured a common consistent monetary policy.

Mr Pöhl has been unenthusiastic about the British hard Ecu plan for a parallel currency in Europe ever since it was put forward in the summer. *But his* condemnation of the proposed EMF yesterday was more outspoken than his previous remarks.

He also outlined his reservations to the chancellor in talks. Although the UK Treasury described these as friendly and *useful, the detailed criticism of* Britain's plans from a man often regarded as an ally of Mrs Margaret Thatcher will add to the sense of isolation surrounding the government on European matters.

Mr Pöhl's visit comes at a time of sharp divisions within the government over Britain's policy towards Europe, which last week led to the resignation of Sir Geoffrey Howe as deputy prime minister.

As if to emphasise Britain's lone stand on the EMF, Mr Pöhl outlined in greater detail than before the main elements of the proposed EC central banking system.

He said that European central bank governors were close to agreement on draft statutes for the European central bank. It is widely expected that their discussions will be completed in Basle next Tuesday.

Mr Pöhl warned that conflicts could arise in an EMF about interest rate levels and exchange rate patterns in the EC.

He said he feared that preference would be given to the objective of stabilising exchange rates over that of ensuring price stability.

By contrast, the European *central bank's statutes were* expected to include a clause that domestic price stability should have priority over exchange rate stability, Mr Pöhl said.

The bank should produce more price stability than existing national central banks and be completely independent in pursuit of its policies.

Sir Terence Burns, the government's chief economic adviser, said afterwards there were clear differences between Mr Pöhl and the British government but a lot of common ground. He said both agreed on the need for greater economic convergence among EC member states.

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Editorial Comment: Mr Major's recession.....Page 6
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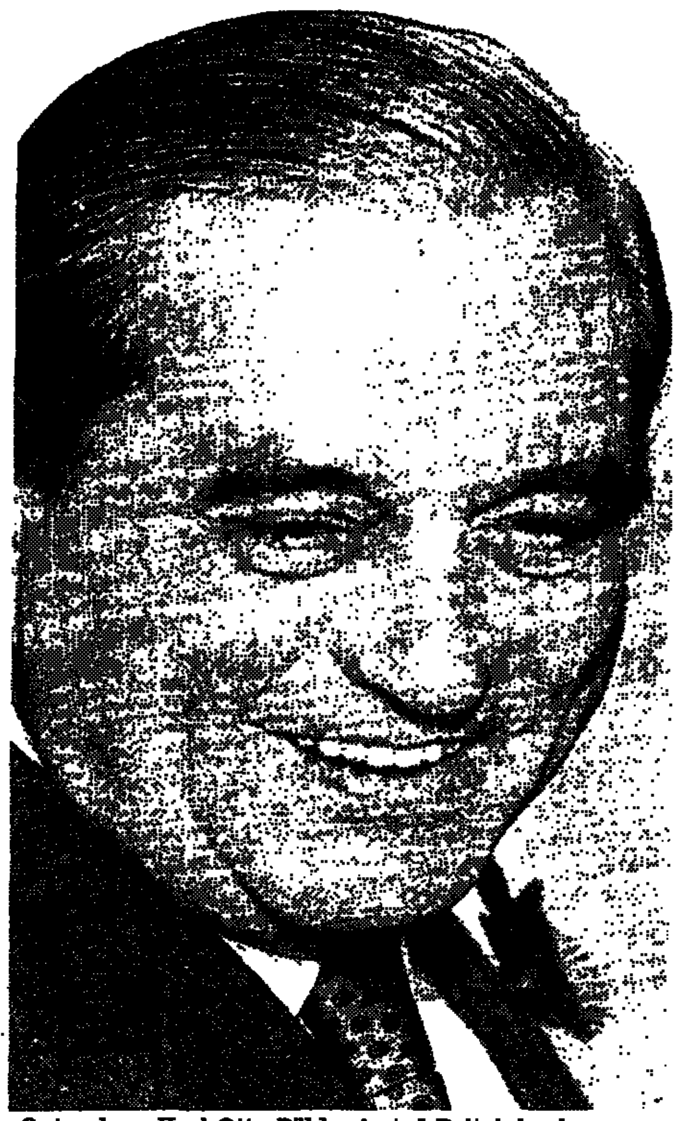

Outspoken: Karl Otto Pöhl rejected Britain's plans

US calls on allies for more troops

By Peter Riddell in Washington and **Ralph Atkins** and **Robert Mauthner** in London

THE US yesterday called for more troops to be sent to the Gulf as it became clear that within the next few weeks the total of Iraqi and allied forces facing each other will amount to more than a million.

A series of specific requests for further land and air forces have been sent by Washington to allied capitals and were discussed by Mr James Baker, the US secretary of state, with Mrs Margaret Thatcher, the prime minister, and Mr Douglas Hurd, the foreign secretary, in *London yesterday.*

This new request yesterday by the US for its Arab and European allies to contribute additional forces will match the greatly expanded American military commitment to the Middle East.

It is now clear that the scale of the US military build-up in Saudi Arabia is much larger than had been generally expected. Roughly 150,000 additional ground forces, as well as three more aircraft carrier groups, will be going to the region in
Continued on Page 22

Bush gears up, Page 6
Lengthening list, Page 22
Effect on sell-off, Page 22

BT and Mercury face losing £9bn UK telecoms duopoly

By Paul Abrahams

THE government will *announce on Tuesday its inten*tion to break British Telecom's hold on land-based telecommunications in the UK by abolishing the duopoly enjoyed by BT and Mercury.

Mr Peter Lilley, trade and industry secretary, will outline a consultative document to the House of Commons, which will include far-reaching measures to increase competition in British telecommunication services, an area worth £9bn a year.

One of Mr Lilley's most radical proposals will be the introduction of some form of "equal access" for callers.

This will allow customers to choose through which company their call is routed by simply dialling a code before the number required. The proposal is aimed at accelerating competition in the domestic sector.

Mr Lilley is also expected to announce his desire to increase competition in long-distance and international telecommunication services.

In a further blow to BT, Mr Lilley is likely to reject the arguments of Mr Iain Vallance, the company's chairman, that increased competition would lead to less regulation.

There are fears that without regulation, BT, which controls 95 per cent of the market for services, would crush any competition. The telecommunications industry is subject to substantial economies of scale.

Mr Lilley is also expected to propose the liberalisation of local telephone services by permitting cable operators to offer local telephone networks.

At present, cable operators are only able to offer networks in conjunction with Mercury and BT and few have decided to enter this market. Cable franchises have been awarded covering about two-thirds of the country, or about 14.6m homes.

BT has lobbied hard against the introduction of equal access on the grounds of cost. One estimate suggested that BT would need about £300m to introduce the technology that allows customers access to both systems through one telephone.

The company has also argued that it would give Mercury or other potential service providers access to BT's customer base for minimal investment and effort.

In Hull, where this system already operates, Mercury has captured about 50 per cent of outgoing calls.

Mercury has said it would be able to offer equal access within two years of receiving permission from the regulatory authorities.

The government may also insist on some limitation on cable groups owned by US companies entering the UK market; there are restrictions in the US on non-US concerns owning telecommunications companies.

Once the industry has been consulted about the proposals, Oftel, the body that regulates telecommunications, will make recommendations to the Department of Trade and Industry early next year.

MARKETS

STERLING
New York lunchtime:
$1.9660
London:
$1.9670 (1.9675)
DM2.9250 (2.9275)
FFr9.8250 (9.8225)
SFr2.4575 (2.4575)
Y255.0 (255.5)
£ index 94.4 (94.4)

GOLD
New York: Comex Dec
$386.3
London:
$385.0 (386.0)

N SEA OIL (Argus)
Brent Dec
$34.30 (33.825)

DOLLAR
New York lunchtime:
DM1.4890
FFr4.9990
SFr1.2512
Y129.85
London:
DM1.4875 (1.488)
FFr4.9950 (4.9925)
SFr1.250 (1.2485)
Y129.70 (129.85)
$ index 60.4 (60.5)
Tokyo close:

US LUNCHTIME RATES
Fed Funds $7\frac{5}{8}$%
3-mo Treasury Bills:
yield: 7.28%
Long Bond:
$100\frac{3}{4}$
yield: 8.67%

STOCK INDICES
FT-SE 100:
2,040.6 (+4.4)
FT Ordinary:
1,582.6 (+7.7)
FT-A All-Share:
985.66 (+0.2%)
New York lunchtime:
DJ Ind. Av.
2,469.56 (+25.74)
S&P Comp
311.36 (+3.75)
Tokyo: Nikkei
22,931.80 (−38.01)

LONDON MONEY
3-month interbank: close
$13\frac{13}{16}$-$13\frac{3}{4}$% ($13\frac{3}{4}$)
Liffe long gilt future:
Dec $83\frac{27}{32}$ ($84\frac{1}{16}$)%

Chief price changes yesterday: Page 22

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INTERNATIONAL NEWS

Leaders sign 20-year co-operation treaty

Gorbachev asks Kohl for more help from Germany

By David Marsh in Bonn

PRESIDENT Mikhail Gorbachev yesterday urged more German help for the Soviet economy after signing with Chancellor Helmut Kohl a 20-year partnership and co-operation treaty to put Moscow-Bonn ties on to a solid long-term basis.

In a dinner speech in Bonn last night on the first day of his two-day visit to Germany, Mr Gorbachev also appealed for Germans to avoid "anti-Soviet tones" in relations with the 380,000 Soviet troops in east Germany.

"Germany and the Soviet Union are no longer potential military opponents," Mr Gorbachev said. But, in response to recent violence by German civilians against Soviet soldiers in the east, he declared that "insults" against the Soviet presence would hinder efforts to overcome the legacy of the Second World War.

He used yesterday's ceremonies to express the Soviet Union's desire for western aid in unusually blunt terms.

He called on the united Germany to show "courage, generosity, future-oriented thinking and healthy readiness to take risks" in helping restructuring of the Soviet economy.

On his last visit to Germany, in October 1989 in East Berlin, Mr Gorbachev threw his weight behind the continued sovereignty of East Germany. Yesterday, the Soviet president was thanked by Mr Kohl and President Richard von Weizsäcker for his help in securing German unity.

Although another treaty on economic and scientific co-operation was signed yesterday, Mr Gorbachev received no concrete assurances of further German financial help.

Mr Kohl, at the dinner speech last night, said that yesterday's treaty – which was worked out and initialled in Moscow two months ago – gave "new impulse to the reconciliation of our peoples." The treaty contains a mutual non-aggression pledge as well as a broad framework for co-operation in the fields of economics, security and culture.

Germany was ready to come to the aid of the Soviet Union with "advice and deeds" to help "painful but necessary adjustment" in putting the Soviet economy on to a market-oriented basis. "The time for confrontation in our continent is definitely and irreversibly behind us," said Mr Kohl.

Mr Gorbachev, at his first meeting with Mr Kohl in Moscow in October 1988, used a quotation from Goethe to show how German unification would be a mistake. Yesterday, at the afternoon ceremony for the signing of the co-operation treaty, he adroitly turned again to another quote from Goethe to show that people could overcome national differences to construct the "common European home".

Constitutional conundrum as Cossiga interview sought

By John Wyles in Rome and David Buchan in Brussels

A VENETIAN magistrate has created what may be the legal *cause célèbre* of the year by asking to interview Mr Francesco Cossiga, the Italian president, about "threats to Italy's constitutional order."

It was widely assumed yesterday that the magistrate, Mr Felice Casson, 36, wants to hear Mr Cossiga's version of "Operation Gladio," the underground network created by Nato in the 1950s as a potential guerrilla force to be deployed against an occupying enemy.

The Italian government disclosed last week that similar networks had been set up in other Nato countries including the Netherlands and Belgium. Mr Guy Coeme, the Belgian defence minister, revealed yesterday that the network was currently being co-ordinated by a Belgian general.

Rome has been buzzing with rumours about links between Gladio, the security services and right-wing terrorism. Mr Casson's inquiries follow the conviction of two neo-fascists for a bomb attack which killed three carabinieri (policemen) in the Veneto village of Petreano in 1982.

His request to interview Mr Cossiga is without precedent and has sent Italy's justice minister rushing to his law books to see if it is constitutionally valid, given that the president is also the nation's chief magistrate.

Mr Cossiga recently admitted "pride" in contributing to the development of Gladio when he was a junior minister at the Ministry of Defence in 1965.

In Brussels, Mr Coeme said he had ordered his staff to investigate the extent of the network in Belgium, of which he had heard nothing until this week. He said he had just learned of the creation of various "stay behind" groups with arms and radios to conduct sabotage and organise escapes.

He wanted to examine whether the network was linked to a series of unsolved murders around Brussels during the 1980s in which Belgian security officers were allegedly involved.

US producer prices up again

By Michael Prowse in Washington

US producer prices rose sharply in October for the third month running as a result of surging energy costs. The seasonally adjusted producer price index for finished goods jumped 1.1 per cent, taking the annual rate so far this year to 6.4 per cent, the highest since January 1982.

The increase in the headline figure, however, masked an improvement in the core rate of wholesale price inflation. Excluding food and energy, the index was unchanged in October, a marked improvement on August and September when the core index rose 0.3 per cent and 0.6 per cent respectively.

The moderation of underlying wholesale price inflation supports the view that recessionary forces are gathering strength. On Thursday, Mr Michael Boskin, the chairman of President George Bush's council of economic advisers, described the economy as at best "in a lull", and conceded for the first time that growth might be negative in the fourth quarter.

The figures also show that the economy has far from absorbed the inflationary impact of the Gulf conflict. Crude petroleum prices surged 29.5 per cent in October, the second largest increase on record. Overall input prices rose by 8.7 per cent last month, implying a significant squeeze on corporate profit margins.

Robinson named Irish poll winner

By Kieran Cooke in Dublin

AFTER a campaign which resulted in one of the biggest upsets in modern Irish politics, Mrs Mary Robinson, the candidate of the Labour Party and Workers Party, was last night declared the winner of the presidential election.

Though Mr Brian Lenihan, candidate of Fianna Fail, the main party in government, received a greater number of first-round votes, Mrs Robinson gained more vote transfers on the second count. Her final tally came to 52 per cent of the vote, against Mr Lenihan's 48 per cent.

Mr Austin Currie, the Fine Gael candidate, received under 20 per cent of first-count votes.

While the Irish president has few constitutional powers, Mrs Robinson's victory is likely to cause serious problems for both Mr Charles Haughey, prime minister and leader of Fianna Fail, and Mr Alan Dukes, leader of Fine Gael.

Mr Haughey has suffered from controversy surrounding Mr Lenihan's campaign, and the poor showing of the Fine Gael candidate is calling Mr Dukes' leadership into question.

Last night Mrs Robinson, Ireland's first woman president, said her election showed Ireland was a young country looking with optimism towards the future. "I am very nervous at this honour I have been given," she said.

Woman in the News, Page 6

Sabena president chosen

By David Buchan in Brussels

THE Belgian government yesterday chose Mr Pierre Godfroid as president of Sabena, and gave him until the end of January to come up with a rescue plan for the financially troubled state-owned airline.

Mr Godfroid, currently head of Campbell Soup's European operations, replaces Mr Carlos Van Rafelghem, who has been in a coma since the summer.

Sabena's problems have been piling up during this interregnum. It has appealed to the Belgian state for a cash injection of BFr6-7bn (£100m-£115m) and sought European Commission approval to link with BA and KLM, which each have a 20 per cent stake in a new operating joint venture, Sabena World Airlines.

Sir Leon Brittan, EC competition commissioner, has told the three companies of his concern that the alliance would dominate flight slot allocation at Brussels' Zaventem airport and reduce competition on the Heathrow-Brussels route and on certain long-haul routes.

So far, the companies have refused to respond. BA has said that, having been given clearance for the deal by UK anti-trust authorities, it is for Sabena, not its putative partners, to make any concessions to the EC.

● Belgium said yesterday it wanted to reduce its stake of about 53 per cent in Sabena, Reuter reports. The government would keep a blocking minority – 25 per cent is needed – said transport minister Mr Jean-Luc Dehaene.

Delay for Mexican poll urged

By Richard Johns in Mexico City

MEXICO'S centre-left opposition Party of the Democratic Revolution (PRD) has called for postponement of tomorrow's election for the provincial legislature and 121 municipalities in the State of Mexico, the most populous in the republic.

Mr Cuauhtémoc Cárdenas, PRD leader, alleged late on Thursday that the electoral roll had been manipulated to provide multiple voting papers for many residents, whom he presumed to be supporters of the ruling Institutional Revolutionary Party (PRI).

Proven fraud, or even vociferous allegations of it, could adversely affect Mexico's forthcoming negotiations on a free trade agreement with the US. Critics across the border are expected to exploit the country's democratic shortcomings and human rights record, not least as a protectionist shield to protect hard economic interests.

The poll is a critical test of President Carlos Salinas de Gortari's commitment to transparently clean elections. The PRI is also eager to boost its support in a state where in the general election in 1988 Mr Cárdenas won a landslide victory.

The PRI now claims to have the support of 47 per cent of the electorate in the State of Mexico, which has a population of 9.8m according to the census conducted this year. It includes a large part of the greater metropolitan area of the capital.

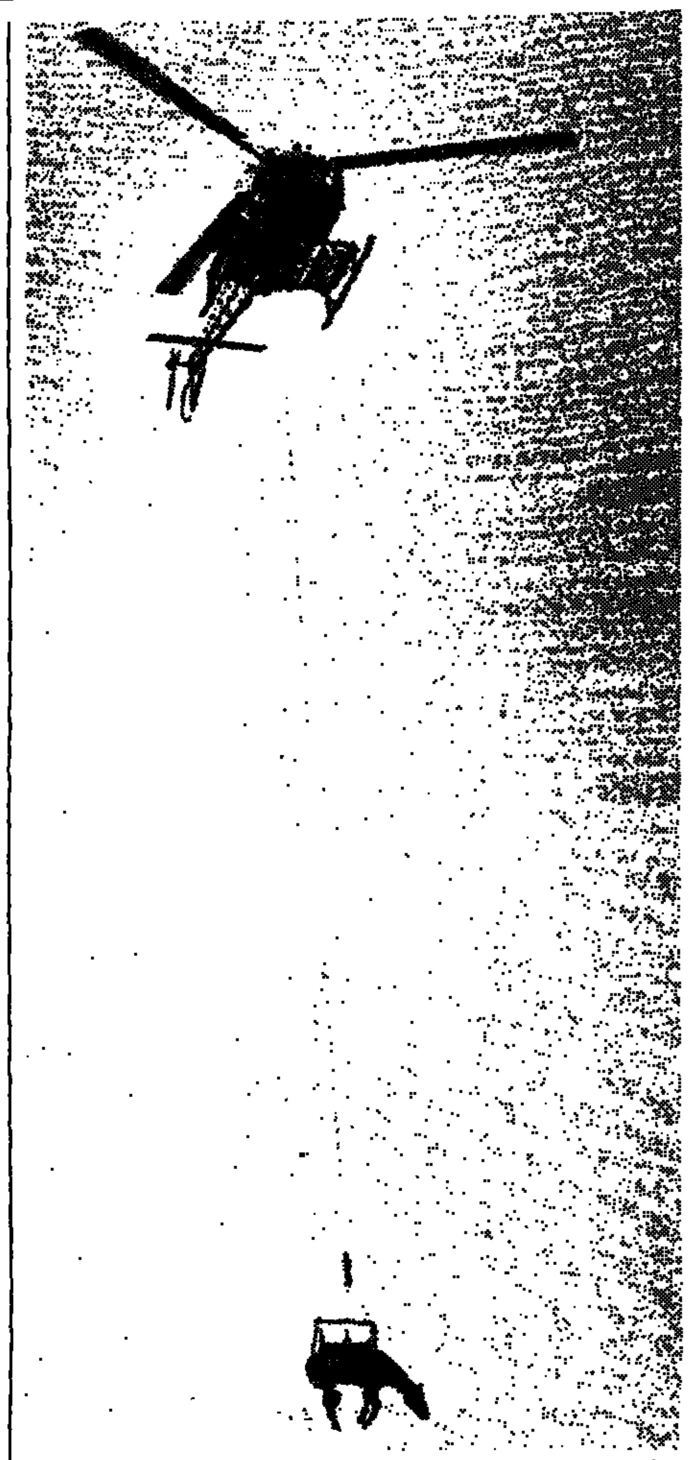
Mr Jorge Gomez Villareal, candidate for the municipal presidency (mayorship) for the district of Naucalpan, in the north of Mexico City, said that the PRD had detected 8,000 entries on the voters roll that were duplicated, triplicated or quadrupled.

This alleged irregularity could represent an additional 16,000 additional votes for the PRI, he claimed.

Describing the situation as "very serious", Mr Cárdenas said: "A manoeuvre of these dimensions cannot have been master-minded by the State Electoral Committee – it must come from a high sources, the National Electoral Register and from Salinas."

The opposition also charges that the anti-poverty National Solidarity Programme (Pronasol) has spent lavishly in the State of Mexico on projects in order to win votes.

Mr Ignacio Pichardo Pagaza, the state governor, denies emphatically that its funds have been used for electoral purposes.



Radar, a six-year-old gelding, is airlifted to safety after being stranded in a canyon in Utah for 2½ weeks.

Ladas 'dumped' in Brazil

THE head of Brazil's association of car producers (Anfavea) has accused the Soviet Union of dumping its Lada cars into Brazil. The cars are to be sold at prices which Brazilian car manufacturers say cannot be profitable, writes Christina Lamb from Rio de Janeiro.

Import of foreign cars was made possible for the first time in July by the government as part of a move to open up Brazil's economy. The motor industry was one of the most protected sectors.

The 50,000 Ladas which began arriving last week will be the biggest shipment of cars since 1957. But imported cars generally cost between four and five times the price outside Brazil because of heavy sales taxes, import tariffs and high transport costs. Local manufacturers say the $8,000 (£4,100) sales tag of Ladas in Brazil must represent a loss.

However Mr Paolo Braga, Lada's public relations director in Brazil, rejects the accusation, saying Brazilian car producers fear competition.

NEWS IN BRIEF

Nepalese democracy restored

NEPAL'S King Birendra yesterday stripped himself of his absolute powers by proclaiming a new constitution that restores multi-party democracy to his Himalayan kingdom, Reuter reports from Kathmandu.

"From now onwards there shall never be a one-man rule in this country," said prime minister Krishna Prasad Bhattarai, a former dissident, as jubilant Nepalis daubed each other with coloured powders in the streets of Kathmandu. Mr Bhattarai promised elections by May 1991.

Cambodia plan

Representatives of 12 countries are meeting in Jakarta to work out the details of an ambitious peace plan for Cambodia drawn up in August by the five permanent members of the UN Security Council, Claire Bolderson reports from Jakarta.

Cambodia's four warring parties are not attending the talks although their main superpower backers, China, the US and the Soviet Union, are represented. The meeting also includes senior officials from Britain, France, Australia, Canada and a number of Asian countries.

Qantas job cuts

Australia's international airline Qantas is in a critical financial position and will slash jobs and flying hours in an attempt to remain competitive, airline chief executive John Ward said on yesterday, Reuter reports from Sydney.

On Thursday the Labor government said it planned to sell 49 per cent of the state-owned airline and would allow foreign investors to take up to 35 per cent of Qantas.

Bundesbank calm

Germany's Bundesbank is not concerned by the fall in the dollar and sees no need for any correction to the present rate, Mr Helmut Schlesinger, deputy president of the central bank, said yesterday, Andrew Fisher reports from Frankfurt.

He said the lack of significant intervention during the dollar's recent gradual fall meant central banks were largely content with this trend so far. This view contrasts with that of Mr Pierre Bérégovoy, the French finance minister, who said on Thursday that France was pressing for a meeting of the Group of Seven industrial countries to try and halt the US currency's slide.

S Africa's churches look to future

Patti Waldmeir finds regrets and rediscoveries at a conference

SOUTH Africa's first conference of black and white churches for 30 years – the closest thing to a non-racial parliament to be held under the apartheid system – yesterday agreed a common declaration of principles on the country's political future.

But in a move which undermined the declaration and illustrated the difficulties in negotiating a new constitution, the Dutch Reformed Church, representing most Afrikaners, dissociated itself from key parts of the declaration.

The week-long conference, an important political event in a country where politics and religion are inextricably linked, brought together representatives of black and white Christians who make up three-quarters of the South African population.

In spite of many apparent differences, Rev Frank Chikane, the leading anti-apartheid cleric who was conference co-chairman, described the gathering as "almost like a miracle".

"People have discovered that the caricatures are not true. We have rediscovered one another."

At a resort in the western Transvaal, clerics and theologians from both sides of the apartheid divide fought like party politicians over the post-apartheid future. When South Africa's political leaders finally sit down together to negotiate a new constitution, they will fight many of the same battles: over land reform, redistribution of wealth, restitution for the wrongs of apartheid.

Seventeen people have been killed in a fresh spasm of political violence among black factions in South African townships, police said yesterday, Reuter reports from Johannesburg.

Sixteen of them were hacked to death on Thursday night in a battle in Natal province between supporters of Nelson Mandela's African National Congress (ANC) and backers of the Zulu-based Inkatha Freedom Party of Chief Mangosuthu Buthelezi.

A man was killed and 12 other people were injured, three seriously, when vehicles taking workers from a steel company to a hostel were ambushed in Sebokeng township south of Johannesburg.

The tone of this week's conference was often spiritual, emotional, sometimes cathartic. Representatives of one white church after another – including the Dutch Reformed Church, which helped invent apartheid and is often described as "the National Party at prayer" – confessed to the sin of apartheid. Forgiveness was sought, and occasionally given; restitution was demanded.

At times, the debate appeared to pit the ruling National Party directly against the African National Congress (ANC). The Dutch Reformed Church, as throughout its history, spoke for the National Party, while a host of radical Protestant and Catholic clerics represented the positions of the ANC and other black political groups.

Not surprisingly, there was much over which the two blocs disagreed. The final declaration called for a system of one man, one vote on a common voters' roll – a key demand of the ANC. The Dutch Reformed Church refused to accept this principle. Similarly, the document called for an interim government to rule South Africa in the transition to a post-apartheid constitution: the Dutch Reformed Church demurred.

Radical churchmen insisted that the document call for "the return of all land expropriated from relocated communities to its original owners" and the opening of white schools to all races. The Dutch Reformed Church said it preferred to leave politics to the politicians – an ironic response, given the church's close association with the National Party in the past.

Pressure from right-wing political parties which have condemned the church's admission of guilt over apartheid – and concern at news that church members are resigning in protest – appears to have caused the Dutch Reformed Church to lose its nerve over the final declaration.

Rev Barney Pityana, an anti-apartheid cleric who co-ordinated the conference, complained that the goodwill earned by the Dutch Reformed Church before the final declaration had been jeopardised by its later equivocation.

But Rev Chikane stressed that the process of reconciliation had at last begun. Black arms had circled white shoulders as delegates joked over tea; many black delegates were clearly moved at the Dutch Reformed Church's confession – even if they would prefer to see fine words followed with just deeds.

But the conference also reflects the depth of mistrust to be overcome between black and white. South Africa's churches have been primary participants in the battle over apartheid, and they will be no less crucial to its solution. If this week's conference is anything to go by, Christian charity will help in this process. But it is a long road ahead.

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INTERNATIONAL NEWS

Sweet revenge for the inveterate loser of Indian politics

On Socialist Chandra Shekhar's appointment as premier, Bombay stock market rose. David Housego assesses a complex politician

FOR Mr Chandra Shekhar, 63, an intellectual backwoodsman who has long been perceived as a perpetual loser in Indian politics, the events of this week have the sweet smell of revenge.

For much of the week, Mr Shekhar, who will be sworn in as prime minister today, has been receiving large crowds of supporters, office-seekers, and reporters on the lawns of his house close to the parliament building.

A bearded, messianic looking figure, he has not concealed his ambition for the premiership: "I also have a role to play in the nation's affairs," he said. As he emerged from the president's palace yesterday, his pleasure in his triumph was written large in the smile on his face.

Once the radical Hindu BJP party withdrew its support from Mr V.P. Singh's administration, Mr Shekhar moved swiftly to oust Mr Singh as prime minister. Though a senior member of Mr Singh's Janata Dal party, Mr Shekhar's hatred of Mr Singh runs deep. He cannot forgive Mr Singh for snatching from him in 1988 the leadership of the Janata party that he, Mr Shekhar, had led and nursed for over 11 years.

Mr Shekhar felt humiliated by the way he was publicly out-manoeuvred when the Janata Dal chose Mr Singh as its candidate for the premiership after last year's election. It had been agreed that Mr Chandra Shekhar would nominate Mr Devi Lal for the post. But Mr Chandra Shekhar had not been told that there was a further agreement that Mr Devi Lal would then nominate Mr Singh.

Mr Shekhar's anger and consternation were flashed across the nation's television screens. As his speech in the confidence debate on Wednesday showed, he was also outraged that Mr Singh should pose as a defender of moral principles – when, as Mr Shekhar put it, he had pursued "a politics of manipulation, losing trust from all quarters."

'I leave morality to others...I am a man who has always compromised with all evils and vices'

Mr Chandra Shekhar is probably the most complex man in Indian politics. Introspective, often ill at ease on public occasions, troubled by a needling social conscience, he is also a politician who revels in deals in smoke-filled rooms. He is a continuing subject of gossip who said recently: "I leave morality to others . . . I am a man who has always compromised with all evils and vices."

His commitment to old fashioned socialism has been a continuing theme of his career. This week he named his breakaway faction of the Janata Dal as the Janata Dal (Socialist). But his close connections with industrial groups like Reliance (the Ambani family) meant that the Bombay stock market rose on the possibility that he would take office.

He was a member of the Indian Socialist movement until 1965 and then backed Mrs Indira Gandhi's bank nationalisation of 1969 after joining the Congress party. He has been a continuing critic of multinational corporations, of India's large business houses and of foreign investment as diminishing Indian self-reliance.

In a major assault in July on the mildly liberal industrial policy of Mr Singh's administration, he warned against deregulation as encouraging industrial investment that would be irrelevant "to social, economic and national priorities."

He said: "Liberalisation should not mean uncontrolled operation of multinational companies or public and private monopolies. We should attempt at liberating the economy from the influence of foreign powers."

Most political observers take the view that his administration – which Mr Rajiv Gandhi's Congress party will support in parliament without being a member of it – cannot last long. On almost every issue – apart from their shared hatred of Mr V.P. Singh – Mr Chandra Shekar has been at odds with Mr Rajiv Gandhi. Even in April this year he said that most of his Janata party colleagues had "found something virtuous in Rajiv Gandhi at one time or the other. I didn't."

In the marriage of convenience on which they are now embarking, Mr Shekhar hopes to shed Mr Gandhi to become the leader of a new left-centrist alignment. Mr Gandhi hopes that the Janata Dal government under Mr Chandra Shekhar can hold the ring until violence in the country diminishes and elections can be held. At that moment he hopes that Mr Shekhar's party can be absorbed into the Congress or that the two parties will make an electoral pact.

Preoccupied with politics and party affairs, Mr Shekhar has never held ministerial office. There is no knowing how he will tackle a raft of problems – Hindu-Moslem bitterness over the Ayodhya dispute, separatism in the border states of Kashmir, Punjab and Assam, and the sharply worsening economic situation.

Chandra Shekhar: shares with Rajiv Gandhi a hatred of V P Singh

Assam tea chiefs flee terrorists

By Gita Piramal in Bombay

OVER 100 employees of Doom Dooma India, an Indian subsidiary of Unilever, were airlifted from the company's tea estate in Assam to Calcutta yesterday.

The move followed the company's decision temporarily to suspend all operations because of terrorist threats to executives living in isolated residences spread over 3,000 hectares.

Almost every tea company in Assam has received threats and demands for money from the United Liberation Front of Assam (ULFA). Some are believed to have given in, while others have seen their executives kidnapped and on a number of occasions murdered.

ULFA itself has officially claimed responsibility for 90 deaths, although unofficial estimates put the total as high as 300. Mr Irfan Khan of Unilever Group said: "We cannot give in to demands from terrorist organisations, nor can we take chances with the lives and safety of our employees."

As the problem with ULFA is unlikely to be resolved quickly, Doom Dooma's suspension is likely to be an expensive proposition for one of India's biggest tea companies.

It produces almost 7m kilogrammes of tea a year and was recently judged India's best tea company by a leading financial magazine.

● THE MIDDLE EAST

Israelis hit at Hizbollah bases

ISRAELI tanks, paratroops and infantry yesterday attacked deep into southern Lebanon, striking at Hizbollah bases north of Israel's buffer zone, agencies report from Jerusalem.

The army said the bases were used for organising and launching attacks against Israeli troops and the South Lebanon Army, which is trained and financed by Israel.

It said the bases, around Kfar Mechki and Mazrat al Abu Suweir, were damaged but gave no information about possible Hizbollah casualties. There were no Israeli casualties, it said.

Mr Moshe Arens, the Israeli defence minister, said on Thursday that Israel would not let the Lebanese government regain control of Jezzine, a district capital halfway between Beirut and Israel's border.

The Syrian-backed Lebanese government plans to extend its control throughout the country. Mr Arens's statement raised fears that Israel could again become enmeshed in Lebanon, five years after it ended a costly occupation.

"The defence of the northern border is based on our control, along with the SLA (South Lebanon Army), in the security zone and the control of the Jezzine area by General Lahd's forces," Mr Arens said.

Bush gears up for military option

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush's order to boost significantly US forces in the Gulf makes credible a policy of forcing Iraq out of Kuwait. But he has yet to establish domestic or international support for military action. There is as yet no warlike mood in Washington.

Mr Bush's announcement late on Thursday marks a new phase in the crisis – both by specifically talking about "an adequate offensive military option" and by the scale of the new commitment.

The implied addition of at least 150,000 ground forces, on top of 230,000 already in place, plus three new aircraft carrier groups, is larger than even the Pentagon had expected Mr Bush to authorise. Total forces in the region could amount to 430,000.

This reflects the advice of the US joint chiefs of staff that additional forces, especially modern tanks, were necessary to match the increased Iraqi forces in Kuwait and a revised US military appraisal of Iraqi capabilities. This in part reflects the advice of the Soviet military who helped train the Iraqis.

In political terms, Mr Bush's announcement was meant to send a clear message to Baghdad that the US and its allies are prepared to take military action if necessary. It was intended to provide clarification after a confused period during October when there appeared to be divisions in the anti-Iraqi coalition about the willingness to compromise. The US also believed it was important for the Soviet Union to come to appreciate the intransigence of the Iraqi regime after the failure of two missions by the Soviet envoy, Mr Yevgeny Primakov, to produce a solution.

The increase in military deployment – and associated strengthening of already strained supply lines – will take until early next year.

This timing is important since Mr Bush will now have to prepare both his allies and the American people for a possible war. Mr James Baker, the US secretary of state, made clear yesterday that no decision had been taken on any United Nations Security Council resolution specifically authorising force as a last resort, though he said that would be "preferable from a political standpoint".

Domestically, with the budget crisis and the mid-term elections out of the way, public attention will now switch back to the Gulf crisis. Opinion polls show considerable support for Mr Bush's handling to date, but no blank cheque.

Congressman Lee Hamilton, an influential Democrat foreign affairs specialist, noted yesterday that the campaign had shown that support for the president was "broad, but also very thin. There's a great deal of uneasiness about all of this; no one wants American casualties. I think the president needs to be more precise, more articulate than he has been about the reasons for our deployment there, and precisely what our commitment has been. He has not conveyed that as clearly as I would like."

Similarly, Senator Claiborne Pell, the Democratic chairman of the Senate foreign relations committee, warned that the US should not establish "an offensive capacity in advance of a UN resolution authorising such action. We should not go to war until the economic embargo has been given a decent chance to produce results." The president, he warned, "would be badly advised to go to war without a clear prior expression of congressional support."

No decision has been taken to initiate military action and the hope in Washington is still that the now enhanced forces, and economic sanctions, will persuade Iraq to withdraw within the next two months – the timetable suggested by Egyptian President Hosni Mubarak.

The problem for Mr Bush is that by building up this vast military machine he will have little choice but to use it early next year if Iraq has not withdrawn. The US remains reluctant to go to war, but by making the threat of military action more credible Mr Bush has also narrowed his options.

100 days of Kuwait's occupation, Page 6

US FORCES IN THE GULF

	men	aircraft	tanks	warships
Existing	230,000	500	800	30-40
Additional	150-200,000	unknown	1,200	12

Turkey defends Gulf role

EXTRA TURKISH troops deployed on the Iraqi border are tying down eight Iraqi army divisions, according to Turkey's ambassador to Washington, Reuter reports from Ankara.

"The Turkish troops on the border are engaging eight Iraqi divisions on the other side," Mr Nuzhet Kandemir said in remarks in Washington and reported by the semi-official Anatolian News Agency.

"We believe this contribution is much more important than sending a symbolic frigate," Mr Kandemir, a former envoy to Iraq, said of Turkey's role in the US-led alliance against Baghdad.

He added: "If its allies move against Iraq, Turkey will support them. In accordance with UN Security Council resolutions, Turkey is prepared to do what is expected of it."

However, he did not spell out what action Turkey might take if war broke out between Iraqi troops occupying Kuwait and international forces.

President Turgut Ozal has previously ruled out the idea that Turkey would open a second front against Iraq in the event of war.

Bangkok road-rail contract signed

By Paul Taylor, Asia Business Correspondent, in Bangkok

THE Thai subsidiary of Hopewell Holdings, the Hong Kong-based construction group, yesterday signed a baht 80bn (£1.64bn) contract to build and operate a 60.1km elevated train and road system. It is intended as a first step towards easing Bangkok's traffic and air pollution problems.

The scheme is Thailand's second largest infrastructure project after the recently agreed baht 150bn telephone upgrading scheme awarded to the Charoen Pokhand group and British Telecom.

The contract was signed in Bangkok by Mr Gordon Wu, Hopewell's managing director, Mr Montree Pongpanit, Thailand's Transport and Communications Minister, and a representative of the State Railway of Thailand.

Mr Wu said the scheme was "an important step in trying to improve the worsening traffic conditions in Bangkok," which some estimates have suggested could cost up to 10 per cent of the gross regional product if not alleviated.

The Hopewell scheme, unveiled in January, is one of several road and mass transit projects planned for the Thai capital, including the still unsigned Skytrain light rail mass transit scheme awarded recently to Lavalin International of Canada.

Under the terms of the contract Hopewell (Thailand) will follow existing railway and klong (canal) routes, minimising construction costs and speeding construction. The first trains are due to go into operation in three years and the major sections are due to be completed in eight years.

The project, which will not require any government funds or subsidies but will provide cheap rapid transport from the Bangkok suburbs and the airport to the city centre, will be financed largely by Hopewell's development of property underneath and beside the elevated road/rail system.

Hopewell's financial advisers include Citicorp and Bangkok Bank, while Ove Arup & Partners of the UK is providing specialist engineering design.

Hopewell will provide a minimum $400m in equity for the scheme and borrow a total of $2.4bn. Half the estimated overall financing is expected to be in Thai baht.

At the end of the 38- year concession period the project will be handed over to the SRT.

CIA chief visits Turkey

Mr William Webster, the head of the US Central Intelligence Agency, yesterday discussed the Gulf crisis with Turkey's President Turgut Ozal in Ankara, writes John Murray-Brown in Ankara.

US officials said Mr Webster was on a personal visit to the region. However, local newspapers said he would tour Turkey's border with Iraq, where Turkey has an estimated 100,000 troops stationed. According to western diplomats in the last few weeks local people have been evacuated from the area.

Saudis to reform government

By Michael Field in Riyadh

KING FAHD of Saudi Arabia is to introduce an appointed consultative council to the kingdom's government, along with "regulations for ruling" and a re-organisation of the administration of the 14 provinces which will decentralise power.

The king's statement gave no details of the reforms or their timing, but said the changes had had to be "studied" at great length. The studies were virtually complete and their implementation would be announced soon.

The announcement came during an address to the press on Thursday night dwelling mainly on the kingdom's achievements in in the last two decades.

The three reforms have been promised for a decade. It is significant that they have finally been announced in the middle of the Gulf crisis, which has seen criticism in Saudi Arabia and the west of the kingdom's lack of democracy and the immobility of its political system.

Since the Iraqi invasion of Kuwait there has been much private discussion in Saudi Arabia on the need for social and political change. There are fears that although the government might promise changes now, it will forget them when conditions return to normal.

It is not clear if the "regulations for ruling", which are intended to be a form of secular constitution supplementing Islamic law, will give Saudis significant political rights.

At present the sole constitution is Shariah law derived from the Koran.

In practice since Saudi Arabia was created in the early years of this century, it has been ruled by a blend of Islamic law and absolute monarchy, supplemented by modern, secular "regulations".

The Islamic obligation of a ruler to consult his people has been met informally, by Saudis having access to the royal family in a "majlis," or council chamber.

Akihito fails to set hearts fluttering

By Ian Rodger in Tokyo

IT WOULD be a joy to relate that Japan is today swept up by festive patriotism. Hundreds of foreign dignitaries are descending on Tokyo, for Monday's start of four days of exotic ceremonies and glittering celebrations surrounding the enthronement of Emperor Akihito.

But it is simply not the case. So far, virtually the only evidence that a big event is in the offing has been increased police presence in the capital city and a few worthy newspaper articles about the role of the imperial family then and now.

Even the prospect of the arrival of the Princess of Wales, who sent Japanese schoolgirls swooning when she visited Tokyo nearly five years ago, has not yet sparked off a renewal of "Diana fever."

In fairness, the attention of most Japanese has been claimed by two more momentous issues in the past few days – the liberation of 74 Japanese hostages from Iraq and a huge row over proposed legislation, finally abandoned, that would have allowed the government to send soldiers overseas on peacekeeping missions.

Akihito: made a scant impression

Moreover, there is no sense that a great historic event is happening. When Emperor Hirohito died in January 1989, after a 62-year reign, it was at least clearly the end of an era.

But Akihito, who is 56, has made scant impression on his fellow citizens since he broke with tradition in 1959 and married a commoner – albeit a well heeled one – Miss Michiko Shoda.

Akihito became emperor immediately after his father died. However, the enthronement ceremonies could not take place until a year of official mourning was over. As a rice harvest ritual was involved, they had to wait until autumn.

The enthronement itself is a simple ceremony that will take only a few minutes on Monday afternoon. It will be followed by a parade to the Akasaka Palace and a long series of meetings, teas and banquets for foreign and Japanese guests until Wednesday.

On Thursday night, the emperor will go alone to a specially built hall in the imperial palace gardens to offer rice, millet and a few fish to the Shinto god of fertility, Amaterasu, and pray for peace in a traditional ceremony called the Daijosai.

Buddhists and Christians have protested at the spending of government funds on this ceremony because Japan's post-war constitution insists on the separation of church and state.

Once it is over, Japanese leaders will go back to worrying about another rice problem · whether to agree to demands in the Uruguay Round multilateral trade negotiations that it open the national rice market to imports.

Toll roads bill attracts scant industry support

By Richard Tomkins, Transport Correspondent

GOVERNMENT plans for creating a network of Continental-style toll roads in Britain may fail if fresh proposals go through in their present form, the civil engineering industry warned yesterday.

The measures were detailed for the first time in the government's New Roads and Street Works Bill, published two days after its introduction was heralded in the Queen's Speech.

The bill is intended to stimulate the construction industry's interest in private toll roads by making them easier and more profitable to build. But the Federation of Civil Engineering Contractors, the road-builders' trade association, said it failed to address the industry's main reservations.

One of the new measures in the bill would allow private-road builders to participate in property gains by giving them control over the creation of access roads to developments near their roads.

A second measure provides for tolls to be fixed by road builders without state intervention except where their roads are the only practicable route between two points – as, for example, with an important bridge.

A third measure provides for road builders to be compensated if, after winning the concession for a route, the scheme has to be abandoned because it fails the planning process.

The civil engineers' federation said the first measure had been long expected and the second two conceded less than its members had sought.

It was particularly concerned that no compensation would be paid to road builders that might spend up to £1m preparing bids and subsequently lose the contest for the concession.

It also believed there should be no state control over tolls for any roads or bridges because alternative routes were always available.

Mr Jim Turner, the federation's director of external affairs, said: "There is fundamental support in our industry for the creation of a private road network, but the conditions have got to be right and this bill does not sound as though it has tilted the balance in any way."

Ministers are hoping that the bill, which also streamlines procedures for digging and mending holes in the road, will have a swift passage through parliament and achieve royal assent by next summer.

New Roads and Street Works Bill. HMSO. £10.30.

Tough alternatives to jail needed, Waddington says

By Alan Pike, Social Affairs Correspondent

THE NEW community-based alternatives to prison proposed in the government's Criminal Justice Bill must be "tough and demanding", Mr David Waddington, the home secretary, said at the bill's publication yesterday.

"We cannot ask the courts to send fewer people to prison unless we provide adequate penalties in the community," he said.

Alternatives to prison in the bill include giving the courts power to combine probation and community service orders and impose curfews on offenders. Those – under one of the bill's most controversial provisions – will be enforceable through electronic tagging.

The courts will be able to impose curfews for up to 12 hours a day. As far as possible, the bill says, such orders should avoid interfering with a person's attendance at work, education or religious beliefs.

In all but the most serious cases the courts will have to be satisfied that only a custodial sentence is adequate to protect the public, and will have to state their reasons when sending someone to prison.

Blackburn brewery to be closed by S&N

By Clay Harris, Consumer Industries Editor

THE LION Brewery in Blackburn, where Matthew Brown has been brewing beer since 1927, is to be closed by Scottish & Newcastle Breweries, which bought the Lancashire company in 1987.

S&N said production and packaging of Matthew Brown's beers would be transferred to other breweries in the group during the next six months, eliminating 140 jobs.

Blackburn will remain the headquarters for Matthew Brown's chain of 400 pubs and its marketing to the free trade.

S&N said Lion Brewery was unable to achieve the standards of efficiency required and further investment could not be justified. The brewery was operating at less than half its annual capacity of 250,000 barrels.

Analysts said the closure raised a question about the survival of a similar-sized brewery at Masham in North Yorkshire, birthplace of Theakston's, the only Matthew Brown brand that has established a national reputation.

S&N, however, said the brewery in the Yorkshire Dales was "a unique property" which had received considerable investment. There were no plans to close it or any other S&N brewery.

When S&N took over Matthew Brown, founded in Preston in 1830, it said that the Blackburn and Masham breweries would have an "assured future" under its ownership.

The company said yesterday its decision was influenced by the government's move to force large brewers to divest some tied pubs. The government's views on the proposed pub-for-breweries swap by Courage and Grand Metropolitan signalled "an even greater degree of control and interference".

Lion Brewery is the third brewery closure in north-west England this year, after Greenall Whitley at Warrington, and Higsons (part of Whitbread) at Liverpool. Boddington sold its brands and Manchester and Liverpool breweries to Whitbread in 1989.

Brittle Tory confidence under pressure

Philip Stephens finds the party mood grim after two sorry showings in by-elections

IT WILL not take much more to snap the brittle confidence of the Conservative Party at Westminster.

Mr Kenneth Baker, the party chairman, had done his best to dismiss the disastrous by-election result in Bradford North, but advance warning did little to soften the blow.

Tory MPs who picked up their pocket calculators to check the safety of their own majorities yesterday could see little but gloom.

The government is just 19 months away from the last possible date for a general election, and Labour is currently achieving swings of 16 per cent in by-elections.

Scores of Tory MPs – above all those who won seats previously held by Labour in the Midlands and the North of England – cannot see how the government can recover sufficiently to allow them victory in 1992, let alone next year.

As one senior minister said yesterday: "It is a recipe for panic."

That panic, he added, would endure even if Mrs Margaret Thatcher survives – and he was convinced that she will – the most serious crisis surrounding her leadership in the government's three terms.

After another week of political turmoil among her supporters and the threat of worse to come, the prime minister is not looking beyond next Thursday, when nominations for the leadership of the party close.

The calculations of Conservative Central Office suggest that Mrs Thatcher would beat off even a weighty challenge to her leadership in the contest which formally opened this week. But the private judgement of many ministers is that she might be fatally wounded.

Labour victor: Terry Rooney, MP for Bradford, who forced the Tories into third place, with his wife Susanne

Sir Geoffrey Howe, whose resignation as deputy prime minister provoked the present crisis, has said that he will not stand. The prime minister's friends are trying to ensure that nothing is said or done to prompt him to change his mind. Unofficial counts among backbench MPs suggest that if Mr Michael Heseltine were to throw his hat into the first round of a contest, he could expect to win the support of about a third of the party's 371 MPs.

In the words of one senior backbencher: "She [Mrs Thatcher] would be wounded. He [Mr Heseltine] would be destroyed."

The former defence minister is keeping his counsel. His hope still is that a "stalking horse" – a candidate with little real hope of winning who would test the strength of feeling against the prime minister – will prompt a leadership contest.

The view among most Tory MPs is that such a disaffected backbencher may follow the trail blazed last year by Sir Anthony Meyer. Their judgment, however, is that unless it were someone of Sir Geoffrey Howe's stature, such a candidate would face a crushing defeat.

So Mr Heseltine faces intense pressure to put his own name forward. His decision, supporters say, will depend on how Mrs Thatcher fares over the next few days, and his own assessment of whether his political career can survive if he backs away.

Sir Geoffrey caused surprise with his intervention this week to emphasise that his differences with Mrs Thatcher over Europe went deeper than his concerns about her adversarial style.

It raises the prospect that his resignation speech in the House of Commons next week may shatter yet again the latest hastily agreed compromise within the cabinet over its approach to economic and monetary union. On what promises to be an electrifying parliamentary occasion, Mr Heseltine is planning to speak on the same day as the former deputy prime minister.

Mrs Thatcher may survive both. But uncommitted Tory MPs as well as her opponents are arguing that even then her position would not be secure.

Unless the government's fortunes improve dramatically by the time of the local elections in May next year, the argument runs, she may yet be forced to depart before a general election, which would be delayed until June 1992.

In Downing Street such calculations are dismissed as the seditious pipe dreams of the disaffected. But Mrs Thatcher must be aware of the fear that now grips many of her supporters.

Those who went to campaign in Bradford were confirmed in their judgment that the poll tax remains a huge electoral millstone. The voters, according to one middle-ranking minister with a northern seat, despise it.

As the remarks of Mr Karl Otto Pöhl, president of the German Bundesbank, illustrated graphically yesterday, the government's dilemma over Europe is likely to intensify rather than diminish.

Nor does the outlook for the economy cheer the spirits of the government's supporters.

Mr John Major's performance in the Commons this week was widely praised, but many Tory MPs believe that a sharp fall in inflation in the second half of next year will not be sufficient to rescue their electoral fortunes.

The most turbulent week in Mrs Thatcher's government might turn into the most turbulent 19 months.

Labour election machine proves its worth

By Ivo Dawnay, Political Correspondent

LABOUR'S latest victories in Bradford North and Bootle come as fresh evidence of the smoothness of the party's recently revamped by-election machine.

Nobody doubted that the party would win. But the scale of the majorities owes more to organisation than to chance.

Early yesterday, even before much of the public knew of the results, the party's campaign co-ordinator, Dr John Cunningham, was flying to Paisley to prepare for Labour's next date with the electorate in twin by-elections on November 29.

Labour's defeat at Greenwich by the Social Democrats in February 1987 had persuaded the leadership that an overhaul of by-election strategy was needed.

Changes introduced at the party conference in 1988 did not come soon enough to prevent another disaster at Glasgow Govan, when Mr Jim Sillars, a Scottish Nationalist, overturned a 19,000 Labour majority.

From there on, new rules on the selection of by-election candidates have ensured that Labour has always fielded individuals capable of withstanding the glare of close media attention. Under the rules, local constituency parties must submit their shortlisted choices to a special by-election committee, chaired by Mr Roy Hattersley, the party's deputy leader.

Already the vetting system has been used twice. At Vauxhall in June last year, the local party had insisted on putting up a radical black candidate, but in the end was forced by the national executive to accept Ms Kate Hoey, who comfortably held the seat. Earlier this year, a candidate for Eastbourne who had refused to pay poll tax was ruled out.

Efforts have been made by Labour to eliminate conflicts between national and local party organisers.

"We don't just look at by-elections as by-elections, we look at each one separately and devise a campaign around it," said Dr Cunningham.

Labour has also all but eliminated the banana-skin factor, closely guarding the candidate at press conferences headed up by shadow ministers. Over three weeks in Bradford, Mr Terry Rooney can barely have said more than a few paragraphs to the press and held no public meetings.

NEWS IN BRIEF

Pensions ombudsman is appointed

MR MICHAEL PLATT, chief adjudication officer at the Department of Social Security, is to be the first pensions ombudsman, writes Eric Short.

He will take up his appointment on January 1 1991 and will be able to receive complaints from April 2.

The post of pensions ombudsman was created under the 1990 Social Security Act to provide protection for members and pensioners of occupational pension schemes and holders of personal pensions.

Letters, Page 7

Random tax audits

THE INLAND REVENUE will conduct random audits to check declarations from some people that they do not have to pay tax once composite-rate tax is abolished next year. It will also open more than 20 offices to deal with inquiries from the public about "self-certification", the Inland Revenue announced yesterday.

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Retailers warned

MR JAMES MAY, director-general of the Retail Consortium, yesterday warned of a "developing invasion" of retailing companies from the Continent which posed a commercial challenge to UK competitors. Speaking yesterday at the British Council of Shopping Centres conference in Dublin, Mr May referred to Aldi, the privately owned German discount chain which is believed to have plans to open 200 stores in the UK within the next five years.

Pay deal accepted

ABOUT 1,600 workers in the lift industry have accepted a 10.3 per cent pay deal which includes a commitment by employers to find ways of reducing the working week to 37 hours. The deal was recommended by the EETPU electricians' union.

CORRECTION

Mr Robert Koshaba

MR Robert Koshaba, who runs a private consultancy company, is a former director of Technology and Development Group, the Iraqi-owned parent company of Matrix Churchill. Mr Koshaba has never been a director of Matrix Churchill itself, as reported in some editions of the Financial Times yesterday.

All-party peers support EMU and single European currency

By Robert Mauthner, Diplomatic Correspondent

EUROPEAN ECONOMIC and monetary union, including the goal of a single currency, was endorsed yesterday in a report by an all-party committee of peers.

That is expected to give further ammunition to opponents of Mrs Margaret Thatcher's policies on Europe. In an implicit reference to the prime minister's robust criticism of her European Community partners, the report said that "the current debate should be conducted in the language of progress, not the rhetoric of the battlefield."

The committee, chaired by Lord Aldington, a former Conservative Trade Minister, embraced the idea of a single currency, for which the prime minister has shown such evident distaste, with undisguised enthusiasm.

"Business would make great gains from an end to the costs and uncertainties associated with currency fluctuations. And no one step could have as great an influence on creating a true single market in the Community as the establishment of a single currency," the report said.

Lord Aldington said that the committee's conclusions were reached before the European Community's Rome summit meeting, at which Britain's partners agreed on target dates for the implementation of the various stages of Economic and Monetary Union (EMU), and well before the resignation of Sir Geoffrey Howe from the cabinet.

The committee could not, therefore, be accused of having been influenced in its opinions by these events, Lord Aldington said.

The report emphasised that the advantages of a single currency in creating globally competitive industrial production and financial services would be "of the same order as the gains of the single-market programme itself."

It added: "The weight and influence of the Community in the world economy would be given a great boost by the creation of a currency able to compete on equal terms with the dollar and the yen."

At the same time, the committee did not think that a firm date for the introduction of a single currency - stage three of the Delors plan - should be set by the intergovernmental conference of the EC next month, but that a decision should be delayed until there had been more "convergence" of the member states' economic policies.

On the contentious issue of sovereignty, the committee did not consider that the power to issue and regulate a national currency was, in itself, of such importance that "a decision to pool this power would mean that member states' international sovereignty would have been lost." In an interdependent world economy, member states' freedom of action was, in any case, severely curtailed.

House of Lords select committee report on Economic and Monetary Union and Political Union, Volume 1. HMSO. £10.25.

Gulf crisis reduces brokers' earnings

By Richard Waters

STOCKBROKERS' earnings from dealing in UK shares will fall to about £540m this year from over £650m in 1989, according to the International Stock Exchange.

The decline in earnings, which follows lower share prices and less activity in the stock market, adds to pressure on those brokers dependent on domestic equity business. However, earnings from trading foreign shares now provide a substantial proportion of the income of some City houses.

The estimates are given in the latest edition of the Quality of Markets Quarterly, which also reports a deterioration in the quality of prices quoted for UK shares on the London market. Most important, the average "touch" (difference between buying and selling price) of the most heavily traded "alpha" shares has widened significantly.

The cause, according to the exchange, was the Gulf crisis, which also pushed down the volume of trading in UK shares by 5 per cent and in foreign shares by 15 per cent.

In its annual survey of transactions in its markets, the ISE reports little change in the commission rates paid by institutional investors, although small bargains have become more expensive to carry out.

Quality of Markets Quarterly. Publications Department, ISE, 1 London Wall, London EC2. £16.

SIB calls for limits on self-regulation

By Richard Waters

SELF-REGULATING bodies set up under the Financial Services Act will be given little scope to excuse their members from centrally set rules, the Securities and Investments Board has warned.

In a statement on the self-regulating organisations' new rule books, the umbrella regulatory body made clear that it would not countenance frequent departures from its own "core" rules. It did not accept that SROs could take unlimited derogations from the rules provided they met the overall test of adequacy contained in an amendment to the act.

The SIB's statement of intent, which will be expanded in a full consultative paper early next year, comes as a warning to SROs as they revise rule books. Only The Securities Association has so far published a draft version.

The statement was prompted by concern that the SROs would try to exempt their members from substantial parts of the SIB rules, creating widely differing approaches to regulation and undermining the minimum common standard that the SIB is trying to establish across the investment industry.

The SIB has also published two new core rules, covering the operation of Chinese walls – barriers within financial institutions to prevent the leaking of confidential information – and the regulation of appointed representatives.

Provided Chinese walls are not breached, integrated houses are safe from prosecution for making misleading statements in certain circumstances, the SIB said.

Without such protection, an integrated house might find in law that information given to one part of its organisation was deemed to be known to all the other parts. However, the effectiveness of the assurance will depend on the outcome of a Law Commission review of the legal position of integrated houses.

The second rule lays down strict rules for the recognition of the 100,000 appointed representatives, self-employed salesmen who handle the products of only one investment company. It follows a series of scandals in the area.

UK NEWS

Inflation will fall, then interest rates, Lilley says

By Ivor Owen, Parliamentary Correspondent

A CUT in interest rates will follow the forecast fall in inflation, Mr Peter Lilley, the trade and industry secretary, told the Commons yesterday.

While acknowledging that "we are currently at the most difficult point in getting inflation down", he urged industry to take the longer-term view and not to reduce investment.

Mr Lilley, speaking in the resumed debate on the Queen's Speech, envisaged that, once short-term inflation was dealt with, the prospects for industry in the 1990s would be better than in the 1980s.

He claimed that the chancellor's Autumn Statement had demonstrated that the UK's finances were in better shape than those of any other country except Japan.

Mr Gordon Brown, Labour's shadow trade and industry secretary, contrasted Mr Lilley's assessment of the prospects for the economy with the verdict of the voters in the Bradford North and Bootle by-elections.

He accepted that Mrs Margaret Thatcher, the prime minister, might contrive to win an election victory within the narrow compass of the Conservative parliamentary party – 369 "rather frightened" men and women. But it was clear, Mr Brown said, that Mrs Thatcher could not win the only election that really mattered – the one that delivered the verdict of the British people.

He argued that the failure of government policies had left much of industry facing a "crash" rather than a soft or hard landing, and said the only strategy ministers had been able to offer was a repetition of the mistakes of the past.

Conservative backbenchers joined Mr Lilley in calling for a clarification of recent statements made by Mr Neil Kinnock, the Labour leader, about the party's view on a single European currency and a European central bank.

Mr Brown said Labour regarded greater economic integration as both inevitable and desirable. Labour would accept majority voting on social and environmental issues but not on taxation, and a central bank would have to be politically accountable.

Mr Brown cited the failure of Blue Rosette, which marketed Tory party memorabilia, as an example of the government's failure to understand the realities facing small businesses. He said "I love Maggie T-shirts" had been reduced from £3.95 to £1.95.

Arts to receive 10.5% of additional funding

By Antony Thorncroft

MR DAVID MELLOR, arts minister, yesterday announced a 10.5 per cent increase in funding for his department for 1991-92.

Expenditure on the performing arts, museums and galleries, the British Library, and other institutions will rise by just over £46m to £486m.

The Arts Council receives £19m extra to make a total of £194.2m. Mr Mellor said he expected the council to give the majority of its clients just over 8 per cent more in grant aid in 1991-92.

In addition he announced a new fund, valued at £7.5m for each of the next three years, to "strengthen leading arts companies throughout the land".

This Enhancement Fund (which replaces the former Incentive Fund administered by the council) will be available to large and small arts companies. It will be awarded on merit.

One possible use for the fund might be to pay some of the money owed by the large national arts companies, such as the Royal Shakespeare Company, which has just closed its London base to save £1.5m on a deficit of nearly £4.5m.

The higher-than-expected budget should enable most arts companies to survive with full programmes in 1991-92 but will not make good the shortfall in subsidy many will experience from cuts in grants by hard-pressed local authorities.

The national museums and galleries will receive an extra 8.5 per cent more, up to £107.4m, to cover their running costs, but the increase will do little more than meet the expected rise in wages bills.

Clydesdale unions plan to fight closure

By James Buxton, Scottish Correspondent

UNION LEADERS at British Steel's Clydesdale tube works near Bellshill, Lanarkshire, decided yesterday to campaign to save the plant. British Steel said on Thursday it intended to close the facility next March with the loss of 1,200 jobs.

Council officials in Lanarkshire indicated that they were working on contingency plans to deal with the effects of the closure of British Steel's plants in the area.

The company intends to close the hot strip mill at its Ravenscraig complex near Motherwell with the loss of 770 jobs next April, and there are fears that the rest of the Ravenscraig plant, with its remaining 2,500 workers, may close after 1993.

Until now, talk of proposals to cushion the effects of steel plant closures has been virtually taboo, because of fears that it would undermine efforts to persuade British Steel to keep the plants open or offer them for sale.

Mr John Lafferty, union convener at the plant, said he was seeking another meeting with Mr Malcolm Rifkind to urge him to press British Steel to delay any action on Clydesdale until the completion of a consultants' report on the prospects for the Scottish steel industry commissioned by the Scottish Development Agency. But he admitted it was sensible to draw up contingency plans for closure.

The SDA is now being asked by Mr Rifkind to consider the consequences for the area of the closure of Clydesdale, at the same time as the consultants Arthur D. Little work on their report on the steel industry itself. The initial conclusions of that report should be ready by Christmas but more detailed work will not be ready until March.

Motherwell district council disclosed yesterday that, with the SDA and the Training Agency, it had begun early this year a programme of using consultants to advise local engineering companies that depend heavily on work for British Steel to diversify and become more competitive.

Meanwhile, the Lanarkshire development agency, a new local-enterprise company to be set up under the government's Scottish Enterprise scheme for replacing the SDA, has drawn up a plan to assist companies with diversification plans.

Lord Mayor's parade becomes a PR event

Today is Lord Mayor's Day in the City — a day celebrated since 1215, and now marked more by promotion than by pageantry. Today's procession — expected to be watched by about 50,000 people — will be largely dominated by corporate floats. **Emma Tucker** *reports on the show, and* **Richard Evans** *(below) on the role of the Lord Mayor in selling the City.*

IN THE 13th century, the Lord Mayor of London used to proceed through the streets of the city once a year to the strumming of minstrels' lutes.

Nowadays, on his journey to the Royal Courts of Justice in the Strand, he is accompanied by Rupert Bear, the engineers' department of Birmingham City Council, and British Telecom. The latter two are sponsoring floats in this year's procession.

The new Lord Mayor, Sir Alexander Graham, sees the event as a "typical British balance between the love of tradition but with a purpose behind it in the middle of this very modern City."

That might not be immediately clear to those lining the streets this morning watching Halifax Building Society and British Airways trundle past on floats.

Sir Alexander emphasises that the main point of the procession - "the best free show in London" - is to fulfil the historical obligations of the office.

In 1215, King John granted the citizens of London the right to choose their own mayor. Part of the deal was that the mayor must be presented to the king for approval and swear fealty to him.

It was that journey from the City to the court at Westminster that evolved into the Lord Mayor's procession which now takes place on the second Saturday of every November.

There have never been attempts to get the event moved - not even by the London Tourist Board, which says that it takes place at a very quiet time of year for tourism. However, the event attracts thousands of UK tourists and Londoners themselves.

The City of London police are expecting about 50,000 people this year and the corporation of London, which organises the show, estimates that at least 90 per cent of them will be British. It has already sent out 21,000 information leaflets to telephone callers and British Rail is laying on special trains from some parts of the UK.

"Londoners like a good show," says Sir Alexander, who has been out practising with the two-ton coach in the early hours of the morning.

"It is a free day for the Londoners - a Cockney event. You get all sorts on the pavement," he adds.

One wonders what the pearly kings and queens will make of the float from Nomura International, the Japanese securities house, or the "larger than life" filing cabinet sported by the Frizzell Group's float, or any of the other companies that participate as a PR exercise.

"The Japanese are great supporters of the City," says Sir Alexander. "I suppose the show is not dissimilar to their traditions of ceremony."

Sir Alexander Graham, left, with Sir Hugh Bidwell

Leader who broke convention to fight City's cause

LORD MAYORS have plenty of influence, but no power. Or so says Sir Hugh Bidwell, the outgoing incumbent, whose year in office has been noteworthy for the way he has used that influence to the hilt.

The colour and pomp of today's procession from Guildhall to the Law Courts and back to Mansion House give all the flavour of the ceremonial task performed by the Lord Mayor, but no hint of the workload and purpose of the role for the rest of the year.

That varies greatly according to the incumbent. Some revel in the ceremonial while others prefer to use their time to further the wider interests of the City or advocate a particular cause.

Sir Hugh, chief executive of Allied Lyons Eastern, falls within the latter category. His aims have been to seek to bring the Corporation of London, the local authority for the city, closer to those who live and work in the Square Mile, and to further the interests of London as Europe's pre-eminent financial centre in the face of competition from Frankfurt and Paris.

Sir Hugh, after taking soundings at a series of working dinners before taking office, decided that transport was the issue giving rise to most concern. "Although we only have responsibility for the Square Mile, the whole transport infrastructure of London affects us all," he said in an interview at Mansion House.

Given the strictly non-political stance previously adopted by the City's civic leaders, eyebrows were raised at last year's Lord Mayor's banquet when he "had a go" at the government over transport policy in London. He warned in an uncharacteristically blunt message that the capital would be in danger of being left behind in the single European market if the transport system was not improved.

That was supported by a consultants' report, and by discreet lobbying of ministers at working breakfasts at Mansion House. Such breakfasts have been a feature of the Bidwell mayoralty. For a while nothing happened, and Sir Hugh recollects that a mood of depression was threatening to set in over the lack of progress.

Then Mr Cecil Parkinson, transport secretary, announced the £1.4bn Tube link between Liverpool Street and Paddington, and there was jubilation. It was one of the main planks of the transport campaign.

The key piece of advice Sir Hugh gives to the City after his year in office, and after many business trips to eastern Europe, is to keep up with the competition in developing new markets.

"There remains a big problem of short-termism in the City which is not conducive to pioneering new markets . . . we must be prepared to take the long-term view."

Richard Evans

Developments for cities

TWO OF the biggest developments ever undertaken in Southampton and Nottingham have been announced by Imry Merchant Developers and Boots Properties, writes Vanessa Houlder.

Southampton City Council has selected Imry, in partnership with Pentagon Design & Construction, to develop a 35-acre site in the city centre.

The site, at present occupied by Pirelli Cable Works, will have 600,000 sq ft of shops, 216,000 sq ft of offices, 90,000 sq ft of leisure facilities and parking for 3,000 cars. The £200m scheme should be completed in 1995.

Boots Properties, part of Boots the manufacturer and retailer, has announced plans to develop an 18-acre site close to the centre of Nottingham at a cost of over £150m. The scheme would include a trade centre of 150,000 sq ft, as well as a hotel, flats, offices, shops and leisure facilities.

Two face trial on charges of insider dealing

TWO FORMER market makers at County NatWest are to face trial at the Old Bailey on charges of insider dealing, writes Raymond Hughes.

Mr Russell Kean and Mr Steven Floydd are accused of improperly dealing in £1.75m worth of shares of Grand Metropolitan, the leisure group.

Yesterday they were sent for trial on unconditional bail by Guildhall justices on four charges under the 1985 Company Securities (Insider Dealing) Act.

The joint charges, brought by the Department of Trade and Industry, state that on August 8 1988, Mr Kean and Mr Floydd knowingly dealt on the International Stock Exchange in 350,000 shares in Grand Metropolitan on the basis of unpublished price-sensitive information. The information, was that Grand Metropolitan was offering to sell the Inter-Continental hotel group.

Jaguar lays off 2,000 and suspends output

By John Griffiths

JAGUAR, the luxury car manufacturer, yesterday laid off 2,000 employees – more than a fifth of its workforce – and stopped car assembly for three days. It blamed a shortage of supplies from Rover Group's steel body pressings plant at Swindon, Wiltshire.

The Ford subsidiary said yesterday that the decision would cost the company lost output of 500 cars with a showroom value of £12.5m.

Jaguar's Browns Lane assembly plant near Birmingham will resume output on Wednesday.

Rover, which was unavailable for comment last night, has been the sole source of body pressings for the former British Leyland luxury cars subsidiary for many years via its pressings plant in Swindon.

However, after Jaguar's flotation from the state sector, it set up Venture Pressings jointly with GKN, the industrial group.

The joint company's plant, in Telford, Shropshire, was opened on November 1 and will supply all Jaguar's body panel requirements by late 1991 or early 1992.

It already supplies all the pressings for the XJS, and selected panels.

Jaguar emphasised yesterday that there was no connection between the decision to lay off the employees and the dissatisfaction that some of them had voiced over Thursday's vote by the workforce to accept a 12.5 per cent deal in exchange for radically changed working practices.

The loss of 500 cars represents just over 1 per cent of Jaguar's expected output this year of 43,000 cars.

World climate needs concerted action

Prof John Houghton *(right)*, chief executive of the Meteorological Office and chairman of the UN scientific panel on climate change, writes about global warming in response to last Saturday's article in the Financial Times, Cracks in the Greenhouse Theory

THE SECOND World Climate Conference, which ended last Wednesday in Geneva, was in two sections. The first week was devoted to the scientific and technological basis for climate change and its impacts. It was followed by the ministerial part of the conference, at which Mrs Thatcher was one of the six heads of governments who spoke. Ministers from more than 100 countries were present.

Never before in the history of science has there been a scientific problem that has become so dominant in the political arena and on no other subject have scientists, economists and politicians been forced together in such close dialogue.

The process of weighing the scientific evidence for climate change – with its certainties and uncertainties – against the economic and political cost of prevention or adaptation is only just beginning. It seems likely to continue unabated for many years.

At the heart of the discussions that took place in Geneva is the scientific assessment report of the Inter-Governmental Panel on Climate Change (IPCC). Its purpose has been to state clearly what scientists are certain about, where their uncertainty lies and the degree of that uncertainty.

As chairman of that assessment group, I would like to explain a little about its work, especially in view of last week's article.

About half of the 400 scientists (from more than 30 countries) who worked on the scientific assessment assisted in the preparation of the draft documents. The other half reviewed them. Therefore virtually every scientist in the world who has made significant contributions to the science of global climate change had a part in the generation of the assessment, and a wide range of other scientists was involved in its approval.

In spite of the many discussions and hard arguments that took place, none of the hundred or so present at the final meeting dissented from the final text. All of us involved felt that a remarkable consensus had been achieved.

The existence of consensus does not, of course, imply that all scientists completely agree; that would be far too much to expect, especially in a field which is moving forward so rapidly. A few scientists feel either that we have given too little emphasis to the uncertainties or that we have over-emphasised them.

A continuing, healthy, honest debate is essential to the scientific process, and the suggestion sometimes made that scientists who disagree are ostracised is without foundation.

The IPCC scientific assessment contains three parts: an executive summary of two pages; a policymakers' summary of about 20 pages; and a full report of more than 300 pages. The summaries, which are addressed to non-experts, were written on the basis of the full report and contain nothing that cannot be substantiated from it.

Although Mr Thomas's article alleges that this is not the case, the only example he gives fails to support his point. He suggests that the phrase in the summary "after a decade or more" (referring to the time when the unequivocal detection of climate change might be possible) is not sufficiently close to the phrase "sometime between 2002 and 2047" in the full report.

However, the sentence following the one he quoted suggests that new methods are likely to bring the dates cited closer to the present. So the words "after a decade or more" are an entirely accurate summary of the full report's material.

Two important statements from the executive summary are: "We are certain that increased emissions of greenhouse gases will result in additional warming of the earth's surface" (in other words, we are sure that human activities are leading to climate change – although we do not claim yet to have detected it); and "there are many uncertainties in our predictions, particularly with regard to the timing, magnitude and regional patterns of climate change."

A number of scientists who worked on the assessment at the start would have been happy at that time to leave our statements in that general form. However, it was also clear to us that we had a responsibility to convey much more information than such general statements would imply.

In that respect, our work was rather like the making of a weather forecast. It is little help for a forecaster to say that the weather will change tomorrow but that he is unwilling to say in what way. The forecaster also needs to give his best estimate of the detail of that change. In that way he conveys more information.

For a climate forecast, however, it is essential not only to give the scientist's best estimate of future change but also to include as much information as possible about the uncertainty in the estimates.

The main estimate of climate change in the report is that, on the assumption that greenhouse gas emissions continue to grow on a "business as usual" scenario, the average global temperature will rise by about 0.3C a decade during the next century with an uncertainty range of 0.2C to 0.5C. Even if the lower figure is taken, the rate of change is likely to be greater than that which has occurred on earth at any time since the end of the last ice age more than 10,000 years ago.

Those predictions of future climate change are based on the results of numerical models that integrate our knowledge of the dynamics and physics of the climate system and of the non-linear interactions between the system's components.

This global modelling has developed a great deal during the past few years and, as the IPCC assessment shows, the best models now available are able to describe current climate with significant skill.

The degree of confidence of the group preparing the scientific assessment was considerably influenced when recent simulations using models – in which the circulations of the atmosphere and the oceans are properly coupled together (in particular the one at the Geophysical Fluid Dynamics Laboratory at Princeton, in the US) – were reported to us.

With the exception of areas in the extreme North Atlantic and the Antarctic, these simulations fitted closely both in the magnitude and character of change, with results from the more common models in which the description of the oceans is much more crude. Although a lot of further development is required, we are confident that useful projections of future change can be provided by numerical models.

The description given by Mr Thomas of the use of models and of the way in which the best estimates were formulated by the IPCC group bears little relation to what actually occurred. A good deal of chapters five and six is devoted to these matters; because of their importance the group spent a lot of time debating them.

He also refers to the resignation of Professor Schlesinger from the lead authorship of chapter six. Both before and after his resignation Professor Schlesinger contributed substantially to that chapter. The reasons for his resignation were personal and not scientific, as speculatively suggested by Mr Thomas.

I am often asked what sort of action is being called for by the scientists on the basis of their report. That is not, of course, just a scientific question. In answering it, scientists are speaking as people – albeit as people who have a lot of knowledge in the particular area of the science of the problem.

The statement from the scientists who attended the Second World Climate Conference asked for two sorts of action. The first sort of action should be taken now to slow down the rate of global warming by stabilising or reducing carbon dioxide emissions (from both fossil fuel burning and deforestation). Secondly, preparation needs to be made now for the further action that is likely to be required to stabilise the concentration of carbon dioxide in the atmosphere at some level by about the middle of next century.

The details of the level of stabilisation, of the timing and of the action required must be worked out as information becomes available. This will come from the natural scientists as regards the details of likely climate change and from the social scientists and technologists as regards the possibilities for adaptation to change. They will also provide details regarding the options for reducing greenhouse gas emissions, including the costs of these options.

This action implies a formidable programme of work for all concerned. The challenge is not just for scientists, economists and politicians. There is also a large challenge for industry to seize the opportunities for the development and exploitation of new, environmentally acceptable technologies.

Only by continuing concerted and coordinated work and action between experts from many disciplines and between all nations can a problem of the magnitude of climate change be adequately addressed.

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Weekend November 10/November 11 1990

Mr Major's recession

SO WHAT is it to be – the short and not too sharp recession forecast by Britain's chancellor Mr John Major in his Autumn Statement, or the much nastier trough that so many British industrialists clearly fear? On recent form the Treasury is something less than a paragon of reliability. But for those who prefer good news – and in this context the term is strictly relative – the official prognostication on offer on Thursday was for a decline in the headline rate of inflation to 5¼ per cent by the end of 1991, a fall in the current account deficit from £15¼bn this year to £11bn next year, and a return to 2 per cent growth within 1991.

No doubt the inflation forecast will be welcomed in company boardrooms. But there was much less for industrialists to cheer about elsewhere in the Autumn Statement. Perhaps the most dismal chart in the Treasury's review of the economic prospect ahead concerned the real rate of return in the corporate sector. From its peak level of around 9 per cent (excluding North Sea oil) in 1988 it is expected to fall to less than 6 per cent by the end of this year. That represents a vice-like profits squeeze which will be exceptionally painful against the background of a record corporate sector financial deficit. How far the banking system will be happy to continue accommodating the deficit is an open question.

In the immediate past it has been the inflation and balance of payments numbers that have caused the Treasury forecasters to stumble. This time round the more difficult questions may well turn on the rate of growth, not least because there is so much in the equation that is inherently unquantifiable. A war in the Gulf is only the most obvious of the potential hazards that could upset the Treasury's underlying assumption of falling oil prices during 1991. Changes in confidence, on the part of both bankers and industrialists, have the capacity to make a nonsense of the most carefully constructed economic models.

Investment outlook

One of the more surprising features of the recent trends survey from the Confederation of British Industry was the way investment intentions were still holding up. The re-emergence of some large corporate deals this week, in the shape of Northern Telecom's offer for STC and the link-up between paper makers Wiggins Teape Appleton and Arjomari-Prioux, also indicates that big strategic initiatives are not uniformly being relegated to the back burner. But such moves can only be undertaken from a position of financial strength. And whatever the industrialists may say about their investment intentions, it is inconceivable that dividends, tax payments and fixed investment can together continue to rise faster than real profits.

International picture

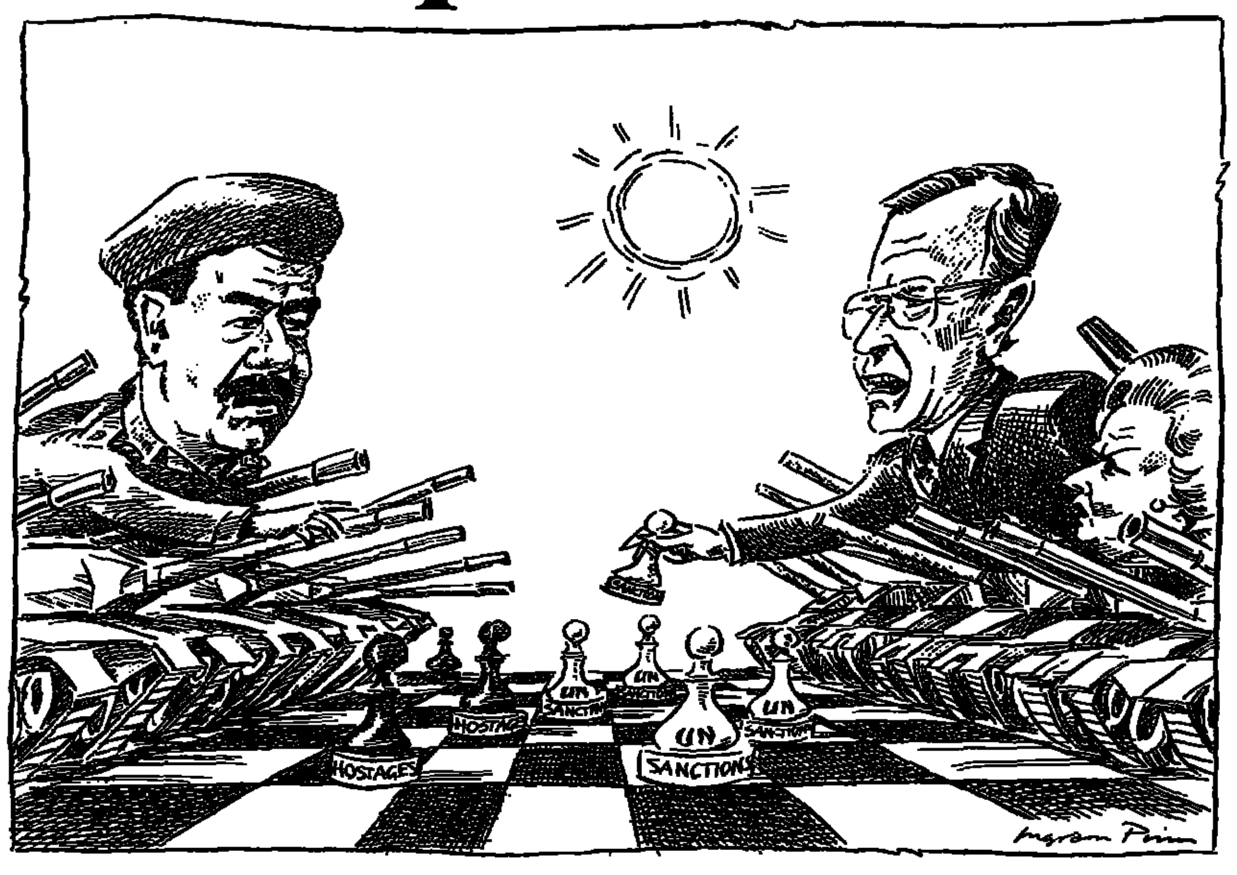
Another area of potential vulnerability for forecasters relates to the wider international picture. Mr Major's growth forecast almost certainly allows for a significant fall in short term interest rates. Yet these have been dictated, since Britain plunged into current account deficit, by the German Bundesbank. While Sir Geoffrey Howe was busy resigning just over a week ago on the issue of Britain's approach to Europe, the Bundesbank was raising the Lombard rate from 8 to 8½ per cent. The move clearly indicated that the German central bank had no intentions of softening its monetary stance in the face of a budget deficit that its president, Mr Karl Otto Pöhl, abhors.

For better or worse, Britain has hitched its waggon more closely to an economy that continues to enjoy a combination of above average economic growth and tough monetary discipline. Living with the strong D-mark that inevitably results from that combination is bound to be uncomfortable; and the chancellor's ability to cut rates without running into exchange rate constraints is heavily circumscribed. The recent weakness of sterling within the exchange rate mechanism (ERM) of the European Monetary System is an implicit criticism of the decision to cut base rates when Britain went in. Britain's industrialists, meantime, are more vulnerable than their counterparts in Europe to the weakness of the dollar.

The irony in all this is that Mr Major has acquired a reputation for being a 'political' chancellor. Yet because he has been obliged to go late into the ERM, he may well have hit on the perfect election losing formula. If the shock treatment turns out to be worse than expected it will at least ensure that the problems that Britain's wage inflation poses for international competitiveness are confronted early. In a fixed exchange rate system, the longer pay awards are allowed to erode competitiveness, the bigger the crunch that will ultimately be needed to restore the position. The chancellor's misfortune is that what might be good for the economy is not necessarily good for the Tory party.

David White and **Victor Mallet** review the state of military preparedness in the Gulf and consider possible outcomes to the crisis

Lengthening list of imponderables



If you want to grasp the scale of the military confrontation in the Gulf, consider that 45 US servicemen have died in accidents alone before the outbreak of any hostilities between Iraq and the allied forces in Saudi Arabia.

One hundred days – longer than the duration of the entire Falklands war – have passed since President Saddam Hussein sent Iraqi troops into Kuwait before dawn on August 2. There are already some 800,000 troops from both sides between Basra, in southern Iraq, and Dhahran, in Saudi Arabia, and at sea in the Gulf region.

President Bush's announcement on Thursday that the US is sending more armoured divisions and another three aircraft carriers will bring that total close to 1m.

No longer do US and British officials take pains to justify the allied deployment purely as a means of protecting Saudi Arabia and policing the United Nations economic embargo against Iraq.

Operation Desert Shield has evolved into a big stick. When Mr Bush announced his reinforcement, it was openly to provide "an adequate offensive military option".

The balance of probabilities now seems to be that the Gulf crisis will end in military conflict. That, at least, is the broad consensus among western military and strategic analysts, although much depends on American public opinion and on the state of the incongruous US-Arab alliance.

Few people are willing to predict whether a war might happen before Christmas or before the holy Moslem month of Ramadan in the spring, but there are some clues. Iraq has carefully avoided any provocation which could be used by its opponents as a pretext for launching an attack into Kuwait, while most of Mr Bush's collection of Arab allies would like to give economic sanctions and internal political pressures in Iraq at least a couple more months to take effect.

With the exception of Kuwait and other hawkish Gulf states, the Arabs and three of the five permanent members of the UN Security Council – the Soviet Union, China and France – would also like to see specific UN authorisation for an allied offensive. If the US decides to propose such a resolution this year, it will want to do so before the beginning of December, when Yemen, which has shown some sympathy for Iraq, takes over the presidency of the Security Council.

The allied argument for early military action would be to pre-empt an outcome which leaves Mr Saddam's power in Iraq and Kuwait intact and allows him to continue developing chemical and nuclear weapons.

Unfortunately, neither war nor the avoidance of war through a negotiated settlement is likely to produce a clean and satisfactory conclusion. War, on the one hand, would cost many lives, and too much destruction of Iraq could create a regional imbalance of power beneficial to Iran and Syria. A stalemate, on the other, would mean continued instability and require the US and other countries to maintain large forces in the region, a sensitive issue in the Arab and Islamic worlds.

An action against Iraq, whether or not the US succeeded in gaining UN cover for it, could be undertaken with limited objectives, but nobody can predict how a conflict might develop. The idea would be to make it swift, oust Iraqi forces from Kuwait and overthrow Mr Saddam, without fundamentally damaging Iraq's civilian infrastructure.

But it would involve fighting in Iraq itself, both from the air and – now that Iraq's troops have dug themselves into solid defensive positions behind the Kuwaiti border – almost certainly on land. Could it be contained to Iraq and Kuwait alone? Would Mr Saddam be rash enough to carry out his threat to attack Israel? How would the Arabs respond if Israel carried out its threat to retaliate? What role might Turkey play? How would Iran react to a weakened Iraq? Would pro-Iraqi Palestinians in Jordan attack western targets?

For both military and political reasons, it may still be in the interests of the US and its allies to wait. The forces in Saudi Arabia could do with more time to integrate. They have an assortment not just of equipment, much of it built for other purposes, but also of military cultures and practices. The problems of how operational orders would be issued and understood have yet to be overcome.

Iraqi forces in Kuwait have been able to strengthen their defensive barriers and improve supply routes, but this must be set against the toll the economic sanctions take, over time, on military efficiency and morale.

The embargo, the international community's alternative weapon, has so far proved a remarkable success. There is no precedent for multilateral trade sanctions being mounted with this scope and degree of completeness, but it is open to question how long it will take to inflict useful economic damage on Iraq, and whether the sanctions will be sufficiently watertight to achieve that goal.

The US State Department reckons 97 per cent of Iraq's oil exports – the country's main source of foreign exchange – have been cut off since the invasion of Kuwait, and imports of industrial goods, raw materials, semi-finished goods and machinery have been reduced by about 90 per cent. According to the Royal United Services Institute (RUSI) in London, sanctions are estimated to have caused the shutdown of the equivalent of 43 per cent of the joint national product of Iraq and Kuwait by mid-September.

Sea and air routes for cargo have been virtually sealed since the UN embargo resolutions.

Blockading navies have challenged more than 3,000 ships. As of last Tuesday, they had boarded 330 and diverted 14. Only one has been publicly identified as carrying Iraq-bound supplies in breach of the embargo – a small tanker with six tonnes of rice

There have been specific reports of problems in refining aviation fuel for Iraq's large but mostly old air force

and some cooking oil.

Apart from exempt humanitarian traffic, the main loopholes are Iraq's land frontiers with Jordan, Syria and Iran. These are used as transit routes for smuggled goods from Lebanon, Cyprus and possibly Turkey.

Tea, rice, sugar, flour, milk and cooking oil, as well as soap and detergents, have been rationed since September 1. RUSI estimates show that at current rationing levels Iraqi stockpiles and output would provide enough to last for six to eight months.

Any tightening of the food embargo would invite international dissent. At least one top US military officer is opposed to stringent imposition of food sanctions because of the sympathies it is liable to arouse in other Arab countries.

Potentially much more important, but harder to estimate because of the shortage of available information, is the effect on supplies of industrial and military spare parts and other products such as lubricants. Ms Marjatta Rasi, head of the UN sanctions committee, foresees "serious problems" for Iraq by the new year. There have been reports of cement, tyre, fertiliser and cigarette factories being closed or running at well below capacity; of problems affecting hydroelectric, petrochemical and water filtration plants and agricultural and construction equipment.

Iraq's ability to re-equip its forces is reckoned to be practically nil, although it is assumed that Libyan flights to Iraq following the invasion of Kuwait were used for high-value military goods. On the other hand, the Iraqi forces are believed to have quite high stockpiles of spare parts.

There have been specific reports of problems in refining aviation fuel for Iraq's large but mostly old air force. Iraqi pilots have been training much less than their western counterparts would consider necessary. For the moment, like Iraq's short-lived petrol rationing measure, this is seen as reflecting prudence in husbanding resources rather than drastically short supply. But in a conflict any shortages would soon tell.

On the political front, the extraordinary alliance of the US, Britain, France, Saudi Arabia, Egypt, Syria and several other Islamic countries is holding up remarkably well. It has survived the killing of at least 17 Palestinians by Israeli police in Jerusalem on October 8, the subsequent lengthy UN negotiations which finally led to the US sharing in a condemnation of Israel, and Syria's anger with the US for sending more weapons to the Israeli government. Doubts about Saudi Arabia's willingness to agree to an offensive from its territory against Iraq seem to have been overcome.

Iraq, by contrast, appears vulnerable. Its isolation has been eased by a constant stream of visitors seeking the release of hostages and offering to mediate in a negotiated settlement, but the taking of hostages has achieved little of substance and the most important visitors of all – the Russians – seem disillusioned with Mr Saddam after an earlier bout of optimism that he was showing signs of flexibility.

Those countries which showed some sympathy for Iraq in the early days of the crisis, including Yemen and Jordan, have been noticeably quiet in recent days.

In Iraq itself, Mr Saddam has sacked Mr Issam Chalabi, his widely-respected oil minister, and Gen Abdul-Karim Khazraji, his army chief of staff. He has continued to concentrate power in the hands of his own Takriti clan and seems to be showing signs of nervousness.

In a speech a week ago to Arab trade unionists, he repeatedly complained of a longstanding American "conspiracy" against him which is supposed to have begun when the US was actually doing its best to appease him. "Saddam Hussein is a simple man, one of the many Arab citizens," he said. "So why are they conspiring against him? The world's number one superpower is conspiring against him."

Perhaps the greatest success of Iraq's enemies is to have glossed over the issue of linkage. Confronted with an unexpectedly hostile international reaction to his invasion of Kuwait, President Saddam seized on the idea of linking any concessions he might make – including a partial withdrawal from Kuwait – with a demand for an Israeli withdrawal from the occupied territories.

To non-Kuwaiti Arabs the idea has obvious attractions as a just and workable compromise, whatever Mr Saddam's opportunistic intentions, but Mr Bush and President François Mitterrand and others have shelved the idea for the time being with vague suggestions that they will deal with the Arab-Israeli conflict after an Iraqi withdrawal.

If it comes to battle, the best the multinational forces ranged against Iraq can hope for is a short war causing intense disruption in the Middle East, followed by a substantial US withdrawal from the region, a determined effort to solve the Arab-Israeli dispute, and an enhanced role for the UN in international affairs.

The Gulf Arabs are convinced, and content in the belief, that whatever Mr Bush may claim, America's motive in the Gulf crisis is to secure oil supplies rather than to achieve some moral or ideological goal. This gives Washington the chance to bolster regional security and withdraw gracefully without waiting for the fulfilment of some elusive political aim. Iraq would cease to threaten regional stability with its fearsome arsenal and the Arabs could reflect on the folly of believing their own myths about Arab unity.

The worst-case possibilities are almost too awful to contemplate: a protracted conflict; an Iraqi attack on Israel followed by Israeli reprisals and the collapse of Arab support for the US forces; even the involvement of Iran, hitherto too embroiled in its own internal political disputes to make waves. The legacy of failure would be an enduring bitterness towards the west in a chaotic Middle East. That is why if the war is to be fought, it must be won, and won quickly.

WOMAN IN THE NEWS

Mary Robinson

A breath of air permeates Ireland's green mist

By Kieran Cooke

When, in May, Mrs Mary Robinson announced herself as the candidate of the vaguely left parties in Ireland's presidential elections, she was given a polite but subdued reception. Mrs Robinson, 46, is a barrister of considerable repute. She has been a long-serving member of the Irish Senate, a respected, if rather private figure. But she is a woman, and women rarely interfere in the male dominated hurly burly of Irish politics.

The bookies put Mrs Robinson's chances at 100/1. Last night she was officially declared winner of the election: her victory has sent shivers down the spine of the political establishment and turned Irish politics on its head. Allowing herself a rare emotional flourish yesterday, Mrs Robinson said her victory marked "a great, great day for Irish women".

Born in County Mayo in the west of Ireland, the President elect had a privileged and highly successful school career. One of the nuns who taught her says she was possessed of a "rare intellectual integrity, an independent thinker who thought things out without really knowing where it would specifically lead her".

The future Mrs Robinson – her husband is a solicitor – quickly progressed through Trinity College, Dublin, law school and Harvard. At 25 she became Trinity's youngest ever Professor of Law. Until early this year it seemed Mrs Robinson was destined to continue her legal career, fighting many widely publicised cases, particularly in regard to women's rights. Two attempts to win election on behalf of Ireland's small Labour party to the Dail, the lower house of Parliament, had failed.

But the Labour Party's choice of Mrs Robinson as presidential candidate, also supported by the Workers Party, proved a political master stroke. Mrs Robinson's time had come.

There is a substantial segment of Irish society that tends to believe it lives in a country that is "second to none" – imperfect in some ways but basically sound. Politicians might occasionally be economical with the truth but that's the way Ireland is. The shamrock carpet is rarely lifted to show the more serious problems, or to reveal the difficulties that lurk in the deeper recesses of family life.

Throughout her lengthy campaign Mrs Robinson went against convention. She talked of the "frightening cynicism" which infects the political fabric of the country, the view that you can't get anywhere or achieve anything without a nod and a wink and a favour. She talked of how the young are being forced to emigrate, with one in 20 of the population leaving the country since 1982. She talked of poverty and divisions in society.

Mrs Robinson has stood on hustings in towns and villages arguing the case for divorce laws. She has said contraception should be made freely available. She has talked of the women who are still forced to travel to Britain for abortions. She has taken issue with the Roman Catholic church and with the courts.

Mr Charles Haughey, the Irish prime minister, and his Fianna Fail Party – a party which has dominated political life since the foundation of the Irish state – accused Mrs Robinson of promoting anti-Irish values. She would encourage promiscuous behaviour and open abortion clinics round the country. A government minister accused Mrs Robinson of having only a passing interest in her family.

Fianna Fail felt that conservative Ireland would deliver up its verdict on Mrs Robinson's liberal talk. It did. Fianna Fail, not Mrs Robinson, was shown to be out of step with the country, particularly with its women voters. It is Mrs Robinson's ability to talk about issues and still win an election which has most surprised political pundits. Her manner has helped. She has rarely been hectoring. At times she has been hesitant and confused. She seemed uncomfortable when her opponents accused her of being a socialist. She rarely lapsed into the familiar populist clichés of Irish politics.

Again, the electorate seemed to appreciate a breath of fresh political air – even the hint of uncertainty – brought by this rather intense, self-conscious woman. Mrs Robinson has been helped considerably in her campaign by the political shenanigans of Fianna Fail and the incompetence of the leadership of Fine Gael, the main opposition party.

Mr Brian Lenihan, 60, the Fianna Fail candidate, was considered to be a sure bet for the presidency. Mr Lenihan is one of Ireland's most popular and experienced politicians. He is, in many ways, the opposite of Mrs Robinson – an affable and easy-going character, symbolised by his "No Problem" catchphrase. But Mr Lenihan became entangled in a peculiar series of events. He was accused of lying about telephone calls he allegedly made some years ago to the president in order to gain political favours for Fianna Fail.

Mr Lenihan vehemently denied the charges though he seemed to be contradicted by the evidence offered up by the opposition. Mr Haughey, in order to avert a government defeat and another general election, sacked Mr Lenihan – a trusted colleague for more than 30 years – as deputy prime minister and minister of defence. Meanwhile Mr Alan Dukes, the leader of Fine Gael, failed to capitalise on the government's predicament.

Mrs Robinson has resisted the temptation to gloat at the discomfort of her political elders. But she was the main beneficiary of recent events. Many votes she won were part of a protest against established Irish politics. There is a new generation who do not believe Fianna Fail's catch-all message anymore and have no time for a philosophy which appears to have become lost in a thick green mist.

Inevitably Mrs Robinson's victory will be seen as a middle class affair. Come a general election, say the main parties, the old order will re-establish itself. But this is not true. Mrs Robinson has discovered that there is a constituency for her kind of politics, not only in the more effete areas of Dublin but in many rural areas as well. Her campaign has encouraged Irish people to take a new look at their society and themselves.

The President of Ireland has very few powers. In the past presidents have been afraid to say anything in public without first being granted approval by the government. It would be ironic if Mrs Robinson, who has caused such an upheaval on the Irish political scene, was now to be silenced in her new role.

Her legal training will tell her not to provoke a constitutional crisis but no one expects the lady from Mayo to be quiet for long.

After a disastrous by-election showing, the Conservatives certainly have reason to be fearful, writes **Joe Rogaly**

Faint hope still amid the gathering storm

Britain is becoming punch-drunk with political drama. The air is heavy with expectation. Is Mrs Thatcher about to be toppled? Will she be challenged as leader next week? Will the Conservatives, under whoever is leader, lose an election that they cannot put off beyond June 1992? The questions come thick and fast; the honest answer is that nobody, not even the prime minister herself, has the foggiest notion of the answers. Our politicians, never fully in charge of what actually happens, have lost all semblance of control. They are the prisoners of events they cannot foresee. All that is left to them is Labour speculation, Tory fear, and, in No 10 Downing Street, a recurrent stiffening of the upper lip.

The Conservatives certainly have reason to be fearful. Nothing seems to go right for them. Following their disastrous showing in a by-election in what was previously regarded as the safe seat of Eastbourne three weeks ago, matters have gone from bad to worse. Poll after poll has indicated a continuing Labour lead more than sufficient to wipe out the government's majority – and, if the vote were held today, the lead would even be enough to achieve the miracle of returning Mr Neil Kinnock as prime minister in overall command of the House of Commons.

Mrs Thatcher's standing has sunk to unprecedented lows. The opinion polls confirm what everyday conversation bears out: that she has lost her *public*. Economic mismanagement apart, the belief that after 11 years it is time for a new face as head of government is perhaps the single most damaging factor the Tories have to overcome. In the City, even the prime minister's most consistent admirers are uncertain of the continued utility of her remaining in office, while other Tories, more detached from the wonder of her steadfast personality, know precisely what they want her to do. The reason she is still leader is that potential challengers are confronted with a conflict of fears in the parliamentary party: which will damage them more – a leadership battle and its subsequent internecine strife, or going forward to the next election under the most unpopular prime minister in the history of polling?

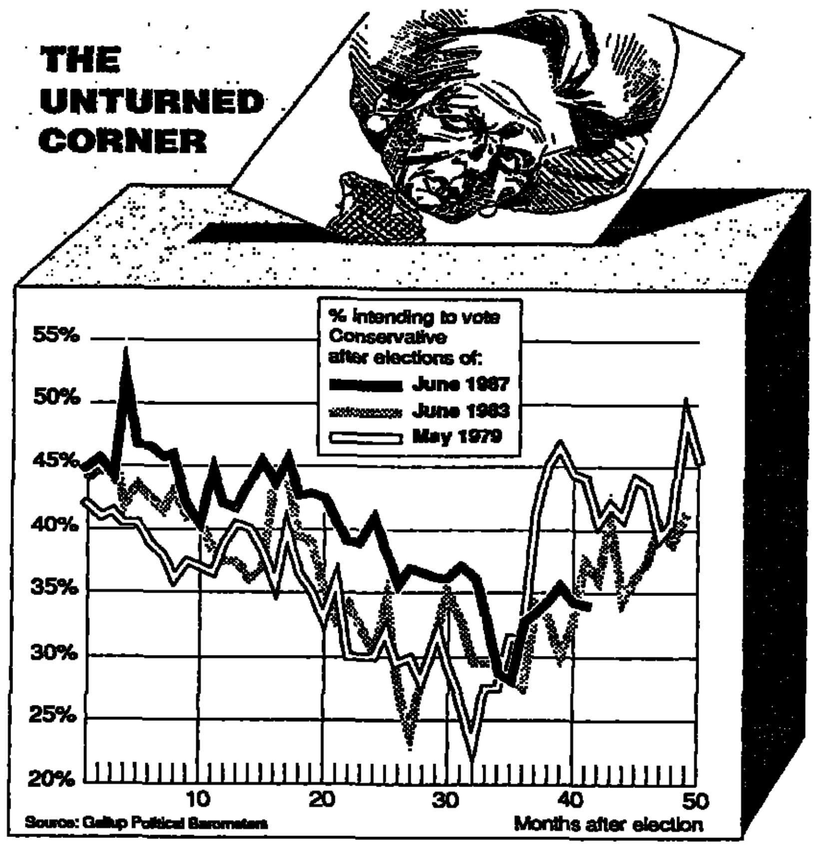
The belief that it is time for a new face as head of government is perhaps the single most damaging factor the Tories have to overcome

This unpopularity is partly due to the state of the economy, partly the imposition of the poll tax, and partly other, less universal, grouses and grumbles about say, the state of the roads, or health, or education. All could come right. There is, however, an overriding personal factor. The strident and therefore off-putting element in Mrs Thatcher's approach to political discourse was placed under the spotlight by Sir Geoffrey Howe *when he resigned nine days ago.* Asked in the commons on Wednesday afternoon why she thought her former deputy had stepped down she dodged the issue.

Everyone present knew the answer. It was right there, in his resignation letter. You did not have to read between the lines. "I am deeply anxious", wrote Sir Geoffrey-the-mild, "that the mood you have struck – most notably in Rome last weekend and in the House of Commons this Tuesday – will make it more difficult for Britain to hold and retain a position of influence in this vital debate," thus stating in measured terms what the Sun newspaper, had it been of a different political persuasion, might have described in the robust language of everyday conversation.

Sir Geoffrey's resignation was also a reminder of the continued split in the party, itself an extremely damaging phenomenon. The British electorate likes its parties to appear united, even if the truth is that, underneath it all, they never are. Mrs Thatcher now sits alone, the last surviving member of the first cabinet she formed in 1979, surrounded by cuttings of newspaper headlines of a sacking here, a walkout there, a resignation everywhere. Down they have tumbled, each for a different reason, Lawson, Fowler, Walker, Ridley, Howe, not to mention the many whatsisnames and whosamajigs who will be lucky if they get footnotes in the written histories of the 1980s.

A name that may merit more than a footnote is that of Mr Michael Heseltine, who has managed, in the years since he strode out of the Cabinet in 1986, to sustain his position as a potential successor. This is of continuing significance, in spite of the possibly fatal blow to his hopes inflicted on himself by his ill-timed letter to his constituency party last week. In language no less guarded than that of Sir Geoffrey, the letter implicitly criticised the prime minister. The trouble was that in Mr Heseltine's case it could not seem disinterested. The principal cause of the divisions in the party, as everyone knows, is European policy. Mr Heseltine has consistently espoused the most positive approach to the European Community; Mrs Thatcher the most wary. The opinion polls show him to be more popular, and more likely to deliver a fourth Conservative victory, than she is.



The concerted rubbishing of this formidable challenger over the past 10 days has certainly harmed him; what may not be perceived by those in charge of the campaign is that it has probably damaged their heroine too, by re-inforcing the general impression of a party torn apart by its own squabbles.

More bad news in this continuing soap opera followed the Howe-Heseltine episode which, one has to shake one's head to recall, ran only last weekend. The emollient Mr Douglas Hurd, who is of course beyond suspicion as a leadership aspirant, spent a few days going around telling everyone that there was really nothing to worry about it. This bubble was burst on Thursday, when Mr John Major, who is well within suspicion as an aspirant, showed himself at his workmanlike best in the House of Commons.

The downside was that his Autumn Statement, outlining the government's spending plans and retailing the Treasury's guesses about the future direction of the economy, could at best only dispel the earlier anticipation that there would be a panic boost to public spending. In the event there was not; what we were offered, instead, was a tightening. The markets have taken it quite well; the public, which knows a decaying infrastructure when it trips over one, may fail to be grateful for such fiscal prudence as has been exercised.

In the light of the above it was almost an anti-climax when the Conservatives were humiliated at two by-elections on Thursday. In Bradford North, which was a Labour marginal in 1987, the Tories were beaten into third place. The Liberal Democrats secured the largest increase in the poll, but the Labour majority now seems secure. The depth to which Tory morale has sunk is better illustrated by their boast that their candidate scored 371 votes more than the Liberal Democrat. He attracted 2,587 votes; the Labour victor, with 22,052, did 900 per cent better.

There is, of course, another side to this whole story. Difficult as it may be to believe, there is even now still time in which the Conservatives could recover their support. They could yet win the election outright; more likely, they might deny Labour an overall majority. The chart shows the cycle of support for Mrs Thatcher's party after the last three elections, according to Gallup in the Daily Telegraph. The Tories are in a worse position at this stage of the cycle than they were after their victories in 1979 and 1983. Look at the thick black line. It should have started turning upwards a couple of months ago. It should have stayed pointing to the blue heavens. It has not. It has collapsed. It is pointing to the other place.

So why do I insist that there is still a faint hope? The reason is plain. On the previous two occasions Mrs Thatcher chose to go to the polls a year earlier than is statutorily necessary. This time she may harbour secret hopes of making a run for it in the summer or more feasibly autumn of next year, but she could legally hang on for the extra twelve months. There is time for a combination of interest rate reductions, shameless tax cuts, and hard slog to pull the Tory line back to the early 40 per cents, in which case everything would depend upon whether the Liberal Democrats continued their own present recovery. If they got close to 20 per cent of the vote, and the Tories managed a fairly basic 40 per cent-plus, that would leave just 40 per cent-plus for Labour. Mr Kinnock would be pipped at the post.

Juggling with similar equations last year it was reasonable to assume that the Conservatives would pull it off. Some of them are quite intelligent; it was surely impossible that they would go on damaging their own prospects for the entire second half of a term of office. As to Mrs Thatcher, she is above all a politician; it seemed sensible to expect her to acquire a feel for what the public would bear and, as she has done with her voice and her personal appearance, adapt.

These assumptions are no longer tenable. There are skilful politicians like Mr Hurd and Mr Major around the prime minister, but her party is in disarray. It is divided over Europe, dispirited over the state of the opinion polls, and demoralised over the dominant personality of the party leader. It can only wait in the hope that the recession will be short and sharp, and that the recovery will be so remarkable that the electorate's gratitude will exceed the length of its memory. After 11 years there is not much point in going to the voters under the same leader, and announcing that there is to be an entire change of direction. In any case Mrs Thatcher has demonstrated, time and again, that she is incapable of being other than herself. She believes that she is a woman of destiny. It is in destiny's hands, not her own, that the decision about her future lies.

A Phoenix out of ancient ashes

Peter Miller tracks the work on the Globe Theatre replica

In one respect open-air entertainment in Shakespeare's day was no different from what it is now: in 1613, when the first Globe Theatre burnt to the ground during a performance of Henry VIII, there was a lager lout on hand to douse with beer one patron whose breeches had caught fire. The rumbustious atmosphere of the unroofed pit is one aspect of authentic play-going which the reconstructed Globe – soon to rise on the south bank of the Thames – *hopes to bring back.*

This month marks the 367th anniversary of the finished print run of the First Folio of Shakespeare's plays – the first collected edition – and with it the halfway point of the programme to design and build the replica of the venue where many of the greatest of them were first staged.

In fact, the new Globe will be the second reconstruction to be put up on Bankside. After the razing of the original, the theatre was rebuilt in 1614 "in far fairer manner than before", according to a contemporary report, for an estimated £1,400, and survived until 1644 when the Puritans pulled it down. The new structure is copying the first as closely as modern scholarship – and modern fire regulations – will allow. It will cost a bit more: an estimated £30m when subsidiary buildings are accounted for.

Flanking the "wooden O" when it opens its doors to the public on another anniversary – April 23 1993, Shakespeare's birthday – will be a second, 17th-century theatre reconstruction built to surviving plans by Inigo Jones; shops; a lecture hall/archive complex and apartments. At full capacity, the new Globe will be able to hold some 1,500 spectators, about half the capacity of the first, again for reasons of safety and comfort.

Mr Theo Crosby, the architect to the Shakespeare Globe Trust, which is orchestrating the work, says: "The forms of it and the surrounding buildings all very consciously project the kind of city which I think we ought to be pushing towards – how to recover the human scale, how to make the buildings of some intricacy and also how to create the condition where people put art and craft into them as a matter of course."

The craft element in the building is conceived to go beyond the surfaces. Pains were taken to make as much as possible about the design for the playhouse answer what was known of its precursor, or could be teased out of contemporary drawings and documents by scholarly reasoning.

The discovery in 1989 of the archaeological remains of the *first Globe* about 200 yds from new site gave a fillip to this process. Work on the new plans has been halted while the concrete evidence turned up during a first dig is sifted for clues about dimensions and orientation.

Too little of the original foundations has been uncovered to answer all outstanding questions. It is hoped that a second excavation – for which permission from the secretary of state for the environment is now being sought – will confirm as fact the experts' best conjecture that the amphitheatre was a 24-sided polygon with a diameter of 100 ft. They are also keen to prove a strong theory that the stage itself was aligned with its back to the afternoon sun.

So positioned, the actors would always be in the shade cast by the tower behind them or by the perimeter of the gallery roof. The reason seems to have been to provide as even a light as possible under natural conditions. Imitating this effect in the new building is part of the signal purpose of cloning the Globe: to provide a "laboratory" in which to try to reproduce as closely as possible the circumstances in which the plays were first seen.

Visitors could soon be spoiled for choice. Mr Crosby himself has lodged a proposal to build a new Glyndebourne-size opera house next door to the Globe in the place where the Bankside power station now stands. Should that project be approved, patrons might have to decide perhaps between two versions of Othello – one by Shakespeare and one by Verdi and Boito after Shakespeare – performed scarcely a stone's throw from one another.

LETTERS

Protecting the world's delicate bubble

From Mr Anthony Rowley.

Sir, The arguments advanced by David Thomas ("Cracks in the greenhouse theory," November 3) are singularly unimpressive, not to say irresponsible.

In essence what he suggests is that as the rate, not the fact, of global warming has not yet been proved, it is in order to go on polluting the atmosphere with greenhouse gases until such time as incontrovertible evidence is produced. By the time such evidence is forthcoming, as it surely will be, the damage to the environment will be that much greater and harder to reverse, if indeed that will still be possible.

The inertia of governments, not to mention business lobbies, is such that even the most alarmist predictions of global warming current today are unlikely to produce more than a minimal response on controlling harmful emissions. If the momentum for global action is lost now, how easy it will be for the polluters to accuse the scientific establishment of crying wolf even when incontrovertible evidence of damage is produced.

A little reasoning leads anyway to the inescapable conclusion that the atmosphere which we have long been accustomed to regarding as being as infinite (and therefore as capable of absorbing pollution) as space itself is, in reality, little more than a finite and very delicate bubble which enables life to survive on earth.

In terms of responsible statements, the argument which Mr Thomas attributes to (unidentified) polemicists, that "global warming is a fantasy designed to feather the nests of scientific supporters by attracting lavish research funds" ranks alongside the mindless cries of certain sunbathers during this year's strangely hot summer – "if this is what ozone depletion does, let's have more of it".

Anthony Rowley,
Court Annex,
Roppongi, Tokyo

A conspiracy of scientists

From Mr J. Barrett.

Sir, I am writing to congratulate David Thomas on his article about the greenhouse effect.

I have been very sceptical about the outpourings of the various committees and individuals for some time. There is no doubt that the greenhouse effect operates, just a doubt that there is any measurable change in it.

There seems to be a conspiracy amongst the scientific community to obtain research grants when the opportunity shows itself. The conspiracy is almost sub-conscious and afflicts other contemporary fashionable topics.

One very obvious omission from the figures which are published is any mention of error limits. Most of the "scientists" involved in the current scaremongering are experts in geography and environmental subjects. Their training does not involve the kind of highly critical examination of data as would be carried out by physicists and chemists.

For example, there is no doubt that the temperature of the earth is about 33 degrees Centigrade higher than it would be if the atmosphere did not exist at all. That figure represents the extent of the greenhouse *effect and is an estimate* based on the laws of radiation and measurements of the reflective capacities of different kinds of surface (for example sea, snow, sand, grassland, houses, roads etc).

I did a calculation of the possible errors involved in such estimations and found that there is a tolerance of 2 deg C either way in the above figure. Any change in the accepted figure which purports to indicate global warming must be compared to the inaccuracy of the baseline so that even a figure of 2.5 deg C is practically within the limits of error.

It is very difficult even to predict tomorrow's weather and that *is done with some* success only because we can "see it coming".

In conclusion I should say that most "hard" scientists that I have talked to about the greenhouse effect are very cautious about coming to any definite conclusions.

J. Barrett,
Department of Chemistry,
King's College London,
Strand, WC2

Flights of fancy

From Mr Thomas Dunskus.

Sir, On October 25 you published a picture of Charles Lindbergh taken after his successful transatlantic solo west-east flight of 1927 with a caption saying he was the first man to cross the Atlantic in an aeroplane.

It is sad that one of the major British newspapers should be so superficial in its treatment of the history of flying as to relegate to oblivion the feat of the two British airmen (Alcock and Brown) who, nearly 10 years (1919) before Lindbergh, actually did cross the Atlantic for the first time in a flying machine (Vickers-Vimy) of First World War vintage.

Thomas Dunskus,
Shoto 1-23-3,
Shibuya-ku,
Tokyo

Mr Butler's reform

From Mr Michael Adams.

Sir, Simon Holberton ("A social revolution in the boardroom," November 27) asserts that R.A. Butler's wartime education reform led to "the creation of the grammar schools".

Grammar schools as educational charities had existed for many centuries. The Education Act of 1902 gave County and County Borough Councils, for the first time, power to establish schools with similar educational aims and allowed them to assist the already existing grammar schools by paying the fees of suitable pupils from their areas.

From 1902 until 1945 old-established grammar schools and grammar schools established by local education authorities (often called secondary schools) existed alongside "all-age" and "senior" elementary schools. Children between the ages of 11 and 13 were to be found in all of them.

Mr Butler's reform was to introduce secondary education for all, so that he might truly be regarded as having created the secondary modern schools to bring this about.

Michael Adams,
vice chairman,
National Association of Maintained Charitable Secondary Schools,
Archway Cottage,
7a Bank Street,
Bishop's Waltham, Hampshire

Pensions windmills worthy of the lance

From Mr E.J. Brister.

Sir, In his Long View column ("Dynamite under the Pensions Industry," November 3) Barry Riley appears to be rejoicing in what he sees as severe disincentives to the final-salary-linked pension scheme. Since, according to Mr Riley, a contributory element is the activity of something called the "pensions industry", it would have been a trifle more helpful if this amorphous beast had been more clearly defined.

In fact, pension benefits are all part of the terms and conditions which are the subject of discussion and negotiation *between employers* and employees and the attempt to shift blame to something called the pensions industry does nothing to advance the level of understanding.

Mr Riley also mentions the famous Barber judgment in the European Court. He cites this as further evidence that company pension schemes in Britain are short on "natural justice".

The fact of the matter is that the Barber judgment has underlined yet again the total failure of successive governments to bring any natural justice into, for instance, pension ages whilst either legislating for, or exhorting employers *to* do, just that.

I am also bound to reflect on the millions of public service employees who continue to enjoy the advantages of final-salary-linked pensions together with index linking in payment – all provided by the taxpayer.

If Mr Riley is looking for substantial targets at which to tilt, then the inequalities in the state pension scheme and the pension provisions for most public sector employees would be far more appropriate than the windmill of the "pensions industry".

E.J. Brister,
14 Wentworth Green,
Norwich, Norfolk

UK industry's parsimonious attitude to giving

From Mr C.N. Kenyon.

Sir, I was heartened to read Alan Pike's report ("Cathedrals attract *new guardian angels,*" October 27) that the industrial "angels" seem to be stirring and taking more interest in supporting a fundamental area of the British way of life.

Our choirs are the envy of the world and this great tradition is only maintained by the enthusiasm, dedication and sheer inherent ability that flows from the simplest parish church up to the great cathedrals. The latter establishments still serve as the hub of life in their respective communities and it is absolutely paramount that all of them, and in particular those of additional historic and architectural importance, should be main*tained in first-class condition.*

Clergy seem to be becoming more businesslike in their approach and, of course, the great showplaces must charge an entry fee – well done Ely for leading the way. I suggest that this was one of the recent bones of contention at St Paul's.

Some 12 months ago I tried to extend an admirable fund-raising drive being undertaken on behalf of Salisbury cathedral here in the US – by Americans be it noted.

As a Briton, now based in New York and continually ashamed of the one-way transatlantic begging bowl, my idea was to broaden the scheme to include Ely, Worcester and Hereford by canvassing British companies via their subsidiaries here in the US. Results were to be published in a certain newspaper, listing the names of donors if they so wished.

Replies were received from more than three hundred head offices in the UK but, sad to say, contained all the old feeble excuses and only one cheque for $100 – thank you again the Marshall Cavendish Corp. The whole exercise cost me my *donation of $5,000.*

So good luck Ripon, but it just may be that the parsimonious wall of British industry's attitude to giving – as compared with those self-centred examples to boost egos and profits – is beginning to crumble.

C.N. Kenyon,
Union Club,
101 East 69th Street,
New York

UK COMPANY NEWS

'Disappointing' North American performance holds back increase

Unilever improves 8% to £488m

By Clay Harris, Consumer Industries Editor

UNILEVER, the Anglo-Dutch food and consumer products group, increased pre-tax profits by only 8 per cent from £452m to £488m in the third quarter because of a sharp decline in the contribution from North America.

Nine-month profits rose by only 6 per cent from £1.26bn to £1.33bn.

Earnings per share rose to 15.61p (13.97p) in the third quarter and to 44.53p (38.43p) in the nine months. Interim dividends of 4.86p (4.51p) and Fl 1.44 (FL 1.37) were declared, respectively, for plc and NV shares.

The third-quarter results were below most stock market forecasts, and Unilever shares closed 10p lower at 612p.

Unilever described the performance in North America, where operating profits fell by 36 per cent, as "disappointing". In part, this reflected strong competition in the static markets for tea and instant soup and high marketing expenditure for the launch of detergents such as Wisk Power Scoop.

However, the third-quarter result also included a provision for the estimated $35m to $45m (£21.3m to £27.4m at the exchange rates used by Unilever) cost of a rationalisation of US food operations which was also announced yesterday.

The company is to close a tea factory at Galveston, Texas, a seasonings manufacturing facility in Los Angeles, and the packaging operation of a noodle-processing plant at Harrisburg, Pennsylvania, with the loss of 468 jobs.

By contrast with North America, Europe increased operating profits by 27 per cent. The result was helped by a £25m exceptional gain on the sale of oil milling operations in the UK and Germany. Unilever said its sales in the former East Germany had reached £100m even before unification last month.

Unilever has been concentrating its recent expansion outside North America and Europe, and this "rest of the world" category has established itself as the second largest profits earner, with an 18 per cent advance in the latest quarter.

Group turnover rose by 9 per cent to £5.75bn (£5.28bn) in the third quarter and by 12 per cent to £16.58bn (£14.79bn) in the nine months. Net interest payments went up to £92m (£61m) and £268m (£147m) in the respective periods.

Unilever is changing this year from year-end exchange rates to average exchange rates. At intermediate stages, however, it uses different rates for different purposes.

At average 1989 exchange rates, which are also used for the results in the latest period, attributable profits rose by 10 per cent to £289m (£263m) in the third quarter and by 11 per cent to £805m (£722m) in the nine months.

At average exchange rates prevailing in each period – the basis on which earnings per share are calculated – the respective increases were 11 per cent to £290m (£261m) and 16 per cent to £831m (£718m).

The third-quarter figure was 7 per cent higher in guilder terms and 29 per cent in dollar terms than last year.

See Lex

UNILEVER RESULTS BY REGION (£m)

Third quarter	Turnover	Per cent change	Operating profit	Per cent change
Europe	3,380	+7	375	+27
North America	1,235	+6	74	-36
Rest of world	1,132	+18	116	+23
Total	5,747	+9	565	+12

Nine months	Turnover	Per cent change	Operating profit	Per cent change
Europe	9,742	+10	971	+19
North America	3,606	+13	229	-15
Rest of world	3,234	+18	351	+29
Total	16,582	+12	1,551	+14

Saatchi in talks to finalise £212m issue

By Alice Rawsthorn

SAATCHI & SAATCHI, the advertising group, is trying to conclude talks over the restructuring of its £212m Euroconvertible preference bonds in time for the publication of its results in December.

Saatchi has been considering the future of the issue since the summer. Unless it is restructured, Saatchi, which is already burdened by heavy debts, may have to pay as much as £212m in cash – more than three times its current market capitalisation – to redeem the bonds in July 1993.

The group is in discussions with banks – including SG Warburg, its lead banker – and venture capital companies. Mr Robert Louis-Dreyfus, group chief executive, is understood to be determined to resolve the situation to prevent further damage to share price and staff morale.

The Saatchi board hopes to be able to announce proposals for restructuring the Euroconvertible by the time its preliminary results are published on December 5.

Saatchi, however, stressed that it was still in negotiations and no decision had been taken on the final shape of the restructuring. The negotiations will be vey complex given the scale of Saatchi's problems and the risk of severe dilution for existing holders.

Saatchi is considering a number of options including a debt-for-equity swap with bondholders; bringing in a new investor; and changing the terms of the issue. Alternatively it could choose a hybrid solution.

Saatchi has been affected by the slowdown in advertising expenditure in its three main markets: the UK, the US and Australia. James Capel, the London stockbroker, expects Saatchi to announce pre-tax profits of £30m and a loss per share of 5.7p when its results for the year to September 31 are published next month.

● Interpublic, the US marketing group, has extended its £136m offer for Lowe Group, the UK advertising concern, until November 16.

Fraud Office may interview Nadir associate in Switzerland

By Clay Harris and Richard Donkin in London and William Dullforce in Geneva

THE SERIOUS Fraud Office yesterday indicated it might accept the offer by Mr Jason Davies, a business associate of Mr Asil Nadir, to be interviewed in Switzerland. The session, however, is unlikely to take place before December at the earliest.

Mr Rodney Hylton-Potts, the London solicitor who wrote to the SFO on Mr Davies' behalf, said he had received a letter from Mrs Lora Harris, an SFO case controller. He said she indicated the SFO intended to take up Mr Davies' offer, subject to applying to Swiss authorities for a *commission rogatoire*, an official request for judicial assistance.

The SFO, which wants to interview Mr Davies about dealings by Swiss nominee companies in Polly Peck International shares, refused to comment on the communications.

In other developments yesterday:

● Mr Michael Jordan and Mr Christopher Morris, two of Polly Peck's administrators, held what was described as a "routine meeting" with officials of the Department of Trade and Industry. No date was set for their next talks.

● The third administrator, Mr Richard Stone, was preparing to return to London from northern Cyprus, where he flew to on Thursday. Coopers & Lybrand Deloitte, the accountancy firm of which he is a partner, played down reports that Mr Stone had been snubbed by Mr Rauf Denktash, the Turkish Cypriot leader. No meeting had been planned with Mr Denktash.

● It was confirmed that Mr Nadir's passport was included in a batch of papers removed during the SFO search of Polly Peck's offices on October 30. The SFO had no intention of keeping it and it was returned to his solicitors two days later.

● Touche Ross, Mr Morris's firm, said he had been in contact with Mr Hylton-Potts about Mr Davies' request for a meeting with the administrator.

In Geneva, Mr Douglas Hurnung, Mr Davies' local lawyer, said yesterday: "Mr Davies is offering testimony or his help to the competent authorities who could investigate this matter, if they think there is need for an investigation." The SFO had replied by telephone that it was interested in a discussion with Mr Davies, Mr Hornung said.

The Geneva lawyer expected there would be a meeting with an inspector from the SFO. It would definitely not be in the UK and not necessarily but probably in Switzerland, where Mr Davies has a house in the village of Founex, near Geneva.

Details would have to be co-ordinated through Mr Hylton-Potts, who in Mr Hornung's opinion had acted a little too soon. A meeting between Mr Davies and the SFO could not take place this month but probably before the end of the year.

Asked if Mr Davies was ready to discuss transactions in Polly Peck shares with the SFO, Mr Hornung said: "It concerns the scandal as mentioned in the press. Mr Davies has been deeply hurt by articles on the role he is supposed to have played and which he denies completely."

Mr Davies, aged 27, is a former London stockbroker who formerly worked for, and was briefly a director of, South Audley Management, the private company which manages Nadir family investments. It was raided by the SFO on September 19. He is manager of Nadir Investments, a Swiss-based company.

Depending on the circumstances, if an SFO request is sanctioned in Switzerland it could lead to Swiss officers carrying out investigations on behalf of the British authorities or it could allow UK officers to travel to Switzerland.

However, without the reciprocity arrangements expected to become law in the new year, the collection of evidence in Switzerland can prove a lengthy process – one reason why some large SFO inquiries have taken years to complete.

Orchid Tech leaves the USM

By Maggie Urry

Orchid Technology, a Californian-based micro-computer accessory maker, has decided to give up its USM quotation because it does not believe the expenses of the quote are justified by the benefits.

Through a tender at 60p, Orchid is offering to buy 500,000 out of the 1.54m shares held by investors other than directors and executives of the company.

The news came after the market closed with the shares unchanged at 65p.

Orchid came to the USM in April 1987 via a placing arranged by Phillips & Drew.

Mr Le Nhon Bui, chairman, said the group had suffered losses for two years and that trade in the shares was low. At the annual meeting on December 3 shareholders will be asked to vote on the decision to quit the USM.

Logitek suspended after 20p fall

By Jane Fuller

A FALL of 20p in the share price of Logitek, the computer services and distribution company, prompted the stock's suspension at 56p yesterday – giving it a market value of just over £10m.

Logitek, which is due to announce interim results within the next couple of months, blamed a profit downgrade from one of its stockbrokers, Henry Cooke Lumsden, for the fall in the price.

Mr Ian Johnson, finance director, said the company believed that in a very thin market some small shareholders had tried to sell and as a result the share price had been heavily marked down. The company had requested the suspension and would clarify the position next week. He would not comment on Logitek's financial state.

The Stock Exchange said that it did not accede to every request for a suspension and it would not agree to one just because of a price fall. No further details were forthcoming about the Logitek instance.

The Henry Cooke Lumsden note, published in its regional companies bulletin, said that Logitek was likely to have had a disappointing first half. For the 12 months to March 31 1991, the pre-tax profit forecast was downgraded from £5.3m to £3.8m, the same as 1989-90.

The reasons given by Mr James Warhurst for his revision were: a difficult market; the seasonality of the Advansys operation (a group of companies bought for £7.1m in July last year); and the cost of reorganisation.

He added that debt would have increased (gearing was 86 per cent at the March year-end), although interest was expected to be covered four times.

Earnings per share were forecast to fall from 16.27p to 13.6p because of the increase in the number of shares in issue.

But he said he was "very surprised" at the reaction to the note. The share price had virtually halved this year before yesterday's collapse. "The price was already indicating that a downgrading was necessary."

If every profit downgrading led to a similar chain of events, "there would be companies suspended by the hour".

Logitek, which is chaired by Mr James Pickup, joined the main market in December 1986 at a price of 65p.

It reached a high of 185p in August 1988 and in the year to March 1989 made a pre-tax profit of £2.75m on sales of £29.2m.

The following year it made a handful of acquisitions, of which Advansys was the biggest, and its policy of moving from product distribution to computing services helped produce a 39 per cent increase in pre-tax profit to £3.83m for the year to March.

Parkland tumbles into £0.52m loss and reduces dividend

By Alice Rawsthorn

PARKLAND TEXTILE, the Yorkshire-based wool textile group, yesterday cut its interim dividend from 2.2p to 1.5p after announcing a fall from interim pre-tax profits of £1.48m to a loss of £517,000.

Parkland, like the rest of the wool textile industry, has been struggling against a domestic recession and intensely competitive export markets. As a result, trading profits for the six months to August 31 plummeted to £3,000.

That figure was struck before exceptional charges of £520,000.

Parkland lost £400,000 because of the recent sudden fall in the wool price and also incurred reorganisation costs from the closure of two factories.

Mr John Hanson, chief executive, said the second half of the year would continue to be "very difficult". The economic outlook was so uncertain, he said, that he did not expect an improvement in trading until the second half of next year "at the earliest".

Parkland, based in Bradford, is one of the larger players in the wool textile industry. In recent years it has invested in upgrading its product range and modernising its production plants.

Turnover fell to £27.63m (£29.51m) reflecting the weakness of both the UK and overseas markets, where it was hit by the strength of the pound.

Losses per share were 4.7p (13.3p earnings). Interest received amounted to £66,000 (debit of £64,000) on gearing of 20 per cent at the end of the first half. Gearing should remain at the same level – reflecting £6.5m capital expenditure – at the year-end.

NEWS DIGEST

Macallan stake sold by Highland

HIGHLAND Distilleries said yesterday it had sold its 12.6 per cent stake in Macallan-Glenlivet, the Scotch malt whisky distiller, to Orpar, the controlling shareholder of Rémy Cointreau, the French cognac, champagne and liqueurs group.

The stake, worth £34.5m, was sold as part of a £75.9m deal in which Highland is to take a 25 per cent stake in Orpar. Rémy has been distributing Highland's Famous Grouse and malt whisky in France for two years.

Matthew Clark, the wine and spirit distributor, also announced that it had sold its 1.4 per cent stake in Macallan-Glenlivet at the same price as Highland – 545p per share.

Suntory, the Japanese brewing group, said it had raised its stake in Macallan-Glenlivet from 14 per cent to 17.8 per cent.

Macallan-Glenlivet's shares closed at 553p, down 5p.

Burmah claims 14.6% of Foseco

Burmah Castrol, the lubricants, fuels and chemicals group, said that it had raised to 14.6 per cent its stake in Foseco, the UK speciality chemicals and abrasives producer for which it is making a hostile bid of £236.8m. Burmah is offering 275p in cash per share.

Foseco's shares yesterday closed at 279p, up 1p.

DTI scans Hillsdown plan for Strong bid

Mr Peter Lilley, trade and industry secretary, is studying a proposal submitted by Hillsdown Holdings in an effort to prevent the collapse of Strong & Fisher, the leather group, writes Clay Harris.

The DTI said yesterday that Hillsdown's plan was intended to prevent the "adverse effects on competition that might arise as a consequence" of its intention to take a controlling stake in Strong, which otherwise faces receivership.

On Tuesday, Mr Lilley said he would refer the rescue package to the Monopolies and Mergers Commission unless Hillsdown agreed to sell Strong's 27.4 per cent shareholding in rival leather manufacturer Pittard Garnar.

Hillsdown indicated it would drop the rescue, which was supported by Strong's banks, rather than sell the Pittard stake. However, late on Thursday, after the DTI extended a 48-hour deadline by 6¼ hours, it made a new proposal. The DTI said a further announcement would be made in due course.

GEI International advances to £3m

GEI International, the packaging machinery, processing machinery and special steels group, lifted pre-tax profits from £2.95m to £3.1m in the six months to the end of September.

Mr Michael Blackburn, chairman, said that last year's acquisitions had all settled in well and were performing up to expectation. In spite of strong competition, "all is certainly not gloomy," he said.

Turnover rose to £36.07m (£33.67m) and earnings per share grew to 5.24p (4.97p) per share.

Less interest was earned because of the funding of acquisitions. The interim dividend is raised 5 per cent to 2.47p (2.35p).

Nav declines 15% at British Empire

The net asset value of British Empire Securities and General Trust stood at 52.53p per share as at September 30 1990.

The figure – a decline of 15 per cent over the year – compared, directors said, with a fall of 18 per cent in the FT-Actuaries All-share index. Mr William Fossick, chairman, said the trust's policy of caution and high liquidity levels "helped to produce relative out-performance".

Net profits dipped to £1.11m (£1.44m) and earnings per 10p share emerged at 0.84p (1.08p). The final dividend is raised to 0.53p, lifting the total for the year to 0.78p (0.71p).

Corton Beach disposal

The administrative receivers of Dixon Motor Group have agreed the sale of the motor dealership business to a company owned and controlled by Mr Paul Dixon, the former owner prior to the acquisition by Corton Beach.

The sale includes 13 of the 14 dealership locations in the north-west, Yorkshire and Humberside.

The receivers are in the process of disposing of the remaining business and assets in the Corton Beach motor division – including Veco Automation, a wholesaler and manufacturer of automotive spare parts and which is not in receivership.

Reduced loss of I£2.5m at Classic Thoroughbreds

CLASSIC Thoroughbreds, the Dublin-based company involved in the purchase and racing of thoroughbred horses, cut its deficit from I£5.74m to I£2.53m (£2.3m) pre-tax for the first six months of 1990.

The result was struck after taking account of exceptional provisions of I£2.28m (I£5.24m) of which I£55,000 related to the loss incurred on the death in March of this year of Classical Rhythm.

The exceptional item also included a provision to cover the extent to which the directors believe the reasonable value of the group's remaining horses will fall below their cost.

The directors felt it prudent to provide for these losses and believed that the figures "fully reflected the current financial status of the group."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bellway ....fin	7	-	7	11	11
Br Empire Secs ....fin	0.53	Jan 2	0.46	0.78	0.71
British Telecom ....int	5.25	Feb 11	4.65	-	11.8
GEI Intl ....int	2.47	-	2.35	-	7.2
Oxford Insts ....int	1.35	Mar 27	1.2	-	3.9
Parkland Textile ....int	1.5	Jan 12	2.2	-	6.7
SB ....int	3.4	Jan 15	3.4	-	-
Unilever ....int	4.86	Dec 21	4.51	-	16.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
155	F.P.	–	160	155	¥Brabant Resources £1	155		–	–	–	–
2	F.P.	–	4½	3	Finlan Group 1p	3½		–	–	–	–
–	F.P.	–	24	18	JF Fledgeling Jap. Wts1c.	18		–	–	–	–
–	F.P.	–	22	20	¥MMI 1p	22		–	–	–	–
‡	F.P.	–	17	8	§Paramount 2½p	8		†1.0	2.4	6.1	8.5
‡	F.P.	–	53	35	¥Pelican 20p	36		–	–	–	–
§100	F.P.	–	96	91	Smaller Cos. Inv. Tst50p ...	93	+2	–	–	–	–
–	F.P.	–	23	21	Do. Warrants	21		–	–	–	–
225	F.P.	–	245	195	§Standard Platform 10p ..	195		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	-	101	68	§Bluebird Toys 12pc Cv. Uns. Ln. 2005......	68	
8	Nil	-	3pm	2pm	§Brewmaker Cv. Rd. Prf. 70p	2pm	
100p	F.P.	28/9	102p	91p	Perkins Foods 8p (Net) Cv Rd Pf	93p	
100p	F.P.	-	121p	106p	Reckitt & Colman 9.5pc Cv Bds 2005	115½p	+1
100	F.P.	-	110½	101¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	105¼	-1½
100p	F.P.	-	105p	45p	Wyndham Group 9.375pc Cm.Pf	50p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
100	Nil	–	10pm	¼pm	Arcadian Intl.	¼pm	
77	Nil	–	13pm	8½pm	Bryant Group	9½pm	–½
1	Nil	–	¼pm	¼pm	¥Property Trust 1p	¼pm	
5	Nil	–	8pm	2pm	Sycamore Hldgs. 5p	2pm	
55	Nil	–	¾pm	¼pm	Vinat Hldgs.	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast, annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¥ Unlisted securities market. * Third Market. ◆ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings — Nov. 12
- Last Dealings — Nov. 23
- Last Declarations — Feb. 21
- For settlement — Mar. 4

For rate indications see end of London Share Service

Calls in Aviva Pet., Borisford Intl., Cityvision, Erskine House, Oliver Res., Premier Cons., Securiguard and Tuskar Res. Put in Ratners. Put and call in Aviva Pet.

UK COMPANY NEWS

Magnet joint venture helps Oxford Instruments to £6m

By Maggie Urry

A STRONG turnround in Oxford Instruments' MRI magnet business, following the formation of a joint venture with Siemens of Germany, helped raise interim pre-tax profits from £4m to £6.1m before exceptional items.

These had added £5.4m in the previous year but there were none in this year's first half.

The share price rose by 3p to 227p.

Profits from the MRI joint venture were £1.9m. This compares with "chunky" losses, the group said, in the first half of 1989-90 when the business had been wholly owned for five months and an associate for one.

A loss of £295,000 from associates in the comparable period included a joint venture with Furukawa in Japan, since reduced to below 20 per cent.

There was a £1m fall in interest receivable to £392,000, despite a cash inflow of £3.6m in the half year giving net cash at September 30 of £2.5m.

Oxford also announced that Sir Austin Pearce, chairman, would be retiring next March and Mr Peter Williams, chief executive, would add the chairmanship to his role.

Group sales were up by 29 per cent from £38.3m to £49.3m and operating profits rose to £3.7m (£2.9m).

Sir Austin said that the medical and instruments activities had grown consistently. However, there had been problems in the semiconductor area, which were being tackled through integrating two businesses.


Sir Austin Pearce: reported problems in semiconductors

Also somewhat disappointing, he said, had been Link Scientific, bought last year for up to £57.5m. This broke even before financing costs on sales of £11m.

Sir Austin reported progress with its synchrotron, a device for making advanced semiconductors, which cost $25m each. A prototype would soon be installed at IBM.

The group is hoping for an order from elsewhere in 1991, but the long lead times involved would mean profits would not appear until the 1993-94 financial year.

Provisions of £3.7m over the last two years were not increased in the half.

Earnings per share excluding exceptionals were 58 per cent higher at 8.2p (5.2p) and the interim dividend raised by 12.5 per cent from 1.2p to 1.35p.

● **COMMENT**

Oxford Instruments was a go-go stock in the mid-1980s when its magnet business excited investors. But high hopes were dashed when it fell into losses. The joint venture with Siemens seems to have solved that problem. Now some hopes are being pinned on the synchrotron as a money spinner, though it would be wrong to get too excited at such an early stage.

Oxford's core instrument business is fighting through difficult economic conditions, and efficiencies are being made in the other activities. With 80 per cent of the business done overseas, and a heavy exposure to the dollar, exchange rates are beginning to be a drawback.

Profits for the year of £17m, compared with £15.5m excluding exceptionals and provisions, would give a p/e of 10, which seems fair.

Another L Ashley resignation

By Maggie Urry

ANOTHER DIRECTOR of Laura Ashley, the retail group which suffered losses in its last financial year and made a much reduced first half profit, has resigned. Mr Peter Revers, chairman and chief executive of the group's North American business, yesterday resigned with immediate effect.

His departure follows the resignation of Mr John James, who was group chief executive, in August. Mr James has not yet been replaced.

The shares fell 1p to 67p yesterday.

Mr Revers, who has been with the group since 1970 when it had three shops and who set up the US operation, will "pursue other interests" the group said. His departure was said to be amicable and he is expected to receive some compensation.

He is being replaced on the board by Mr Terry Smith, who joined Laura Ashley in 1983 and has been chief operating officer of the North American division since 1986.

The group has also appointed Mr Hugh Blakeway Webb as a non-executive deputy chairman of the group. He is senior partner of Coopers & Lybrand Deloitte and has advised the group and the Ashley family for many years.

In September Laura Ashley announced the closure of seven of its UK factories and the loss of 1,500 jobs.

In August the group agreed a deal with Aeon, the Japanese group which owns the Jusco retail operation, under which Aeon bought new shares to give it a 15 per cent stake in the group so strengthening the balance sheet.

A shareholder's meeting to approve the deal is being held on November 23.

Death threat that mars birthday celebrations

Andrew Jack on the problems facing the Unlisted Securities Market

THE UNLISTED Securities Market is ten years old today. But the celebrations may seem more like a funeral wake rather than a birthday party.

New regulations and changing market conditions have cast a dark shadow over its future.

The USM opened in 1980 in a spirit of cautious optimism, offering a new source of capital for many small and expanding businesses that had nowhere else to turn. Over the past decade, it has created hundreds of millionaires – at least on paper – and become known as a breeding ground for entrepreneurial talent. The USM also generated imitators abroad.

Yet the market itself is now in deep trouble. A severe liquidity problem, the underperformance of smaller company shares and easier rules for obtaining a quote have combined to give the USM a very poor image in the eyes of investors, market makers and companies alike.

In August, Hoare Govett became the latest UK securities house to close its USM research team, merging it into a smaller companies group and reducing the number of staff. Winterflood Securities, which specialises in USM shares, last month imposed charges for any companies for which it was the only market maker.

This lack of confidence has not been limited to the securities industry. A number of institutional investors have shed USM shares from their portfolios. Even the press, which used to give considerable attention to USM matters, has begun to turn its back, save the odd scathing comment

But th[illegible]gs were different ten years ago today when trading began for the twelve companies which stepped into the [illegible] as guinea pigs for [illegible]s second market.

The USM was a response to a number of market pressures. The Wilson Committee, which reported in 1979, concluded that small companies were faced with a significant "capital gap" hindering their expansion: they were too small or youthful to obtain a listing, yet they wanted to go beyond the facilities offered by a bank or venture capital house.

At the same time, the Stock Exchange was becoming concerned by the unregulated "off-market" trading taking place outside its control. It was also facing a dearth of new issues, which threatened its own income.

Out of the debate emerged the Unlisted Securities Market, with modified requirements which made obtaining a quote easier than joining the main market – including a three-year trading record, a minimum of 10 per cent of equity in public hands, lower entry costs, and more relaxed "continuing obligations" concerning the distribution of circulars and the need for shareholder approval for acquisitions and disposals

These relaxed rules allowed many companies which were previously ineligible to come to the market, where they could obtain finance, reward their employees with shares, realise their value and benefit from the scrutiny of both sponsors and shareholders. The USM offered a relatively cheap way to obtain a quote, and for an acquisitive company there were considerable cost advantages once it had joined.

There were also a number of less tangible benefits. The USM became a "club" of entrepreneurs. Small companies which had previously been intimidated by the City were now more likely to be tempted by this positive image to obtain a quote.

New issues also attracted considerable media attention – far more, some argue, than an identical business joining the main market would receive.

Since 1980 a total of 817 companies have been admitted to the USM, according to statistics from the Stock Exchange's quality of markets unit. Some 160 have been acquired under offer, 157 transferred to listing and 72 either reorganised or cancelled. There are 428 currently trading, with 15 suspended.

By the end of September 1990 a total of £4.7bn had been raised – £1.68bn in the form of new issues, and an additional £3.03bn from further issues. Without the USM, it is possible that much of this money would not have been available to these companies.

For the investor, on the other hand, the USM has been a bitter-sweet experience, with the stress on the bitter. While some USM shares have performed spectacularly well, the results on average have been appalling – despite the bull market conditions which dominated during the 1980s.

The weekly Datastream USM index, which began at 100 in 1980, now stands at 68. Only briefly in 1984 and between 1987 and early 1990 did it rise above 100. Over the same period, the FT-A All Share index has risen more than threefold.

The index is skewed towards larger USM companies, however, and does not take into account the fact that many of the more successful businesses have since graduated to the main market, taking their shareholders with them.

Few investors, in any case, back "the USM" as a sector: they select particular companies. Nevertheless, the record is disappointing.

Over the last two years, investors have also been facing tremendous liquidity problems. During 1987, there were 966,000 bargains worth £7.13m. In 1989, turnover halved to 450,000 bargains valued at £4.99m. Spreads have widened, there have been rapid declines in share prices and market makers are finding that it takes many months to clear some shares from their books.

These recent trends have exposed a number of companies of questionable quality lured to the USM by the hype of the bull market, which should perhaps never have gone public. And two recent changes which dilute entry requirements still further have disappointed many USM observers.

The Third Market, launched in 1987 for companies with only a one year trading record – and some "greenfield" start-ups – never generated the same interest as the USM, and was closed at the beginning of 1990. But its remaining companies will "merge" with the USM at the beginning of next year, subject to them qualifying for its stricter entry requirements.

More fundamentally, changes to entry requirements announced in February will reduce the trading record required for a listed company to join the main market from five to three years. To remain distinct, entry to the USM will now only require a two-year record.

The Stock Exchange argues that the changes are necessary to reflect a recent EC directive on the "mutual recognition of listing particulars" between European exchanges. Others suggest it was driven by a desire to keep London competitive internationally – at the expense of smaller companies.

Whatever the reason, the changes may well be the death blow for the USM. "Six months ago, company directors said they wanted to float, but would hold back until the market recovered," says Mr Glyn Barker, corporate finance partner of accountants Price Waterhouse. "Now they are saying 'we don't want to be part of this at all.'"

Except for companies still hungry to make acquisitions – which will still benefit from the more relaxed "continuing obligation" rules – any which would previously have joined the USM can now move instead to the main market. There is little remaining difference in cost, and the perception of the USM is likely to detract new entrants.

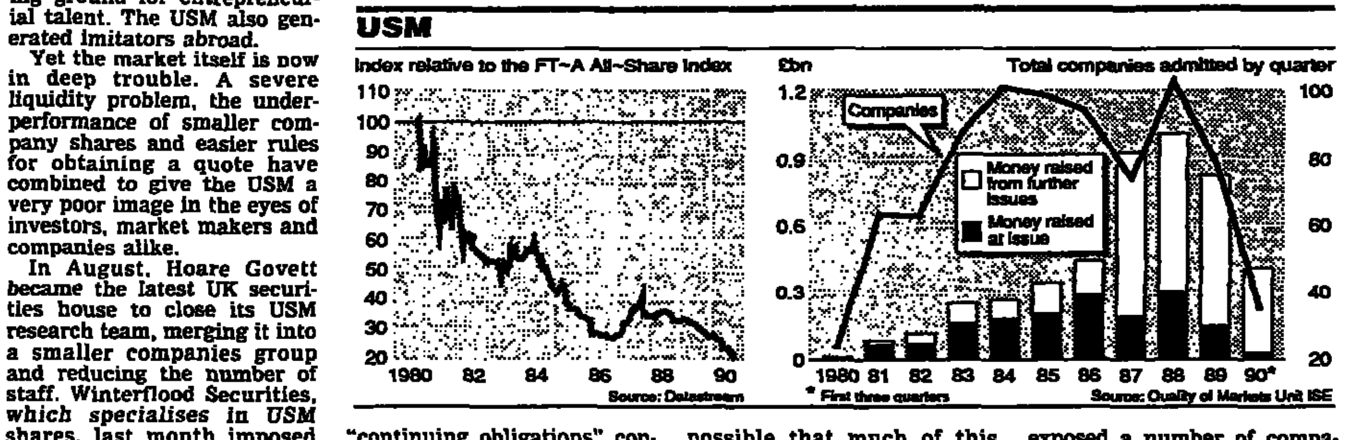
Much of the present problem with smaller company shares, including those on the USM, is a function of the bear market and the illiquidity that it creates. Performance will pick up only when the market becomes more bullish. Recent attempts to improve liquidity through mechanisms cannot alter the fact that there is currently little underlying demand for these stocks.

But Mr Geoff Douglas, head of smaller companies research at Smith New Court, argues: "You need positive discrimination in favour of smaller companies." Unless they receive special attention, he says, they are relatively disadvantaged.

Mr Brian Winterflood, head of Winterflood Securities, agrees. He wants to see a Domestic Stock Exchange, in which share prices would be less affected by international trends than UK conditions, which influence smaller companies far more directly.

The USM, or its reconstituted successor, may not be dead but simply rather sick.

USM



LONDON MARKET STATISTICS

ECONOMIC DIARY

MONDAY: CBI/FT survey of distributive trades (October). Producer price index numbers (October-provisional). Retail sales (October-provisional). Mrs Margaret Thatcher, prime minister attends Lord Mayor's banquet at the Guildhall. Mr Tom King, defence secretary, starts visit to the Gulf. Start of two-day Financial Times conference on "World Electricity" at the Hotel Inter-Continental, London. The general affairs and agriculture councils of the European Community start two-day meetings in Brussels. Mr Giulio Andreotti, Italian prime minister, to put finishing touches in Washington to European Commmunity-US agreement setting political framework for future political dialogue.

TUESDAY: Acquisitions and mergers (third quarter). Index of output of the production industries (September). Capital issues and redemptions (October). European Community central bank governors meet in Basle to decide on the statutes of the new European central bank.

WEDNESDAY: US industrial production, capacity use for October; retail sales (October).

THURSDAY: Provisional figures of vehicle production (October). Capital expenditure by the manufacturing industries (third quarter-provisional). Labour market statistics: unemployment and vacancies (October-provisional); average earnings indices (September-provisional); employment, hours, productivity and unit wage costs; industrial disputes. Financing of the CGBR (third quarter). Monetary statistics including M4 sectoral analysis; bank and building society sterling lending (third quarter). US business inventories (September). European Community budget council meets in Brussels. Mr Carlos Menem, president of Argentina, begins official visit to China (until November 26). Conservative Party leadership nominations close.

FRIDAY: Usable steel production (October). Retail prices index and tax and price index (October). Public sector borrowing requirement (October). US consumer price index (October); real earnings (October).

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Fri Nov 9 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Thu Nov 8 Index No.	Wed Nov 7 Index No.	Tue Nov 6 Index No.	Year ago (approx) Index No.	1990 High	1990 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (195)	684.47	+0.4	16.05	6.96	7.61	33.01	681.58	685.92	689.68	885.24	960.80 4/1	658.43 24/9	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (26)	921.74	....	15.93	6.63	7.73	40.76	922.14	936.55	940.42	1066.33	1188.21 3/1	812.99 20/9	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (34)	1113.73	-0.2	16.91	7.19	7.68	58.72	1116.21	1130.89	1135.18	1411.67	1621.44 4/1	993.11 24/9	1951.50 16/7/87	71.48 2/12/74
4	Electricals (10)	1806.42	+1.5	15.53	7.45	7.88	99.22	1779.90	1789.30	1797.64	2534.17	2751.15 4/1	1762.48 2/11	3040.80 8/9/89	84.71 25/6/62
5	Electronics (26)	1558.37	....	10.68	5.50	12.82	58.75	1557.53	1551.88	1563.57	1945.75	2044.72 9/1	1486.79 24/9	2308.22 19/5/89	1229.01 8/10/85
6	Engineering-Aerospace (8)	389.89	+0.7	17.20	6.25	6.97	17.27	387.22	392.21	398.50	0.00	502.42 13/6	387.22 8/11	502.42 13/6/90	387.22 8/11/90
7	Engineering-General (47)	344.99	+0.2	17.19	7.48	6.99	17.45	344.45	346.54	346.81	0.00	505.10 15/6	344.45 8/11	505.10 15/6/90	344.45 8/11/90
8	Metals and Metal Forming (8)	396.75	+0.2	28.72	8.42	4.24	17.97	395.97	396.88	398.11	462.41	515.57 4/1	384.09 24/9	596.67 9/10/87	49.65 6/1/75
9	Motors (13)	269.81	+1.2	18.51	8.91	6.30	17.45	266.54	265.41	266.60	361.53	403.90 4/1	260.41 24/9	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (23)	1124.22	+1.1	14.99	7.25	7.71	60.96	1112.35	1117.71	1123.97	1651.53	1774.64 3/1	1103.89 1/11	1881.53 18/8/89	277.55 15/1/81
21	CONSUMER GROUP (178)	1166.78	-0.2	10.45	4.39	11.84	33.03	1169.49	1184.69	1187.86	1255.58	1357.03 3/1	1121.42 24/9	1417.92 4/9/89	61.41 13/12/74
22	Brewers and Distillers (22)	1468.20	-0.4	10.65	4.03	11.37	33.62	1474.41	1479.48	1479.00	1404.56	1650.55 20/7	1369.31 6/3	1650.55 20/7/90	69.47 13/12/74
25	Food Manufacturing (19)	972.77	-0.3	12.01	5.04	10.26	28.13	975.91	987.41	992.84	1097.11	1184.41 3/1	959.38 24/9	1220.42 4/9/89	59.67 11/12/74
26	Food Retailing (16)	2203.36	-0.7	9.49	3.37	13.74	52.68	2219.43	2261.75	2296.82	2308.88	2617.14 27/7	2188.04 30/4	2722.30 5/9/89	54.25 11/12/74
27	Health and Household (17)	2365.27	-0.5	7.48	3.15	15.80	50.32	2377.72	2431.86	2428.46	2520.90	2795.49 4/1	2166.10 24/8	2795.49 4/1/90	175.38 28/5/80
29	Leisure (32)	1182.60	+0.9	12.67	5.48	9.55	44.58	1171.95	1180.11	1193.03	1572.06	1717.22 9/1	1117.43 24/9	1845.77 8/9/89	54.83 9/1/75
31	Packaging & Paper (12)	477.65	+0.1	13.48	7.29	9.11	23.79	477.03	479.56	476.58	531.84	625.01 17/7	470.91 28/9	739.48 16/7/87	43.46 6/1/75
32	Publishing & Printing (14)	2835.33	+0.8	12.53	6.65	10.01	137.99	2813.35	2831.01	2825.36	3624.65	3853.61 4/1	2764.16 28/9	5070.66 5/10/87	55.08 6/1/75
34	Stores (34)	792.00	-0.1	11.16	4.68	11.67	23.86	793.18	804.91	804.03	781.54	866.32 13/6	690.43 27/4	1160.58 29/7/87	52.63 6/1/75
35	Textiles (12)	408.14	-0.2	14.63	8.70	8.67	25.55	408.84	409.47	410.31	518.04	554.37 4/1	388.59 24/9	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (106)	940.08	+0.1	13.18	6.24	9.23	32.20	939.13	949.49	955.26	1107.40	1233.52 3/1	932.53 24/9	1233.52 3/1/90	58.63 6/1/75
41	Agencies (15)	913.12	+0.5	11.67	3.65	10.37	22.70	908.46	932.34	943.97	1487.60	1757.73 15/6	898.48 31/10	1795.57 17/7/87	870.35 4/12/87
42	Chemicals (24)	1001.35	+0.7	13.20	6.65	8.95	46.81	994.12	1001.18	1011.97	1178.47	1335.87 14/6	940.57 24/9	1545.46 5/10/87	71.20 1/12/74
43	Conglomerates (14)	1208.16	-1.8	14.03	8.28	8.59	38.53	1230.24	1245.44	1253.37	1611.81	1722.31 14/6	1208.16 9/11	1819.46 11/8/89	975.19 10/11/87
44	Transport (14)	1791.44	+0.6	13.56	5.86	9.34	67.29	1781.22	1809.50	1811.72	2130.04	2458.00 4/1	1740.24 28/9	2554.69 12/7/89	90.80 29/6/62
46	Telephone Networks (3)	1053.99	+0.7	12.61	5.19	10.33	26.09	1046.64	1053.63	1056.95	1066.14	1290.72 3/1	1017.41 26/9	1290.72 3/1/90	517.92 30/11/84
47	Water (10)	1939.15	...	14.96	6.98	7.57	68.12	1939.86	1947.20	1941.85	0.00	2079.08 16/2	1820.20 1/5	2079.08 16/2/90	1820.20 1/5/90
48	Miscellaneous (26)	1482.00	+0.3	12.62	6.08	9.20	62.06	1478.26	1502.70	1519.53	1840.90	1981.35 3/1	1445.37 24/9	2087.06 11/7/89	60.39 6/7/75
49	INDUSTRIAL GROUP (479)	979.27	.....	12.51	5.51	9.81	33.79	979.15	989.89	994.16	1131.96	1234.94 3/1	950.55 24/9	1273.71 5/9/89	59.01 13/12/74
51	Oil & Gas (21)	2284.04	+0.6	9.79	5.51	13.34	85.44	2270.29	2294.26	2309.03	2156.82	2528.70 3/8	2111.34 30/4	2528.70 3/8/90	87.23 29/5/62
59	500 SHARE INDEX (500)	1085.87	+0.1	12.08	5.51	10.24	37.98	1084.72	1096.54	1101.65	1218.16	1338.65 3/1	1068.52 28/9	1369.88 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (103)	678.22	+0.8	–	7.03	–	33.16	672.84	676.73	677.33	785.71	869.67 3/1	621.68 24/9	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	714.41	+0.6	22.90	8.07	5.72	42.00	709.90	715.64	713.61	805.62	918.30 2/2	650.43 24/9	918.30 2/2/90	62.44 12/12/74
65	Insurance (Life) (7)	1257.11	+0.9	–	6.11	–	55.82	1246.13	1265.74	1284.37	1307.13	1519.19 29/6	1220.17 1/5	1519.19 29/6/90	44.88 2/1/75
66	Insurance (Composite) (6)	574.30	+0.7	–	7.45	–	32.08	570.12	575.76	574.42	661.98	763.09 2/1	526.46 24/9	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (8)	895.54	+0.6	8.51	7.18	15.39	41.94	890.30	895.00	880.99	1082.36	1194.74 4/1	757.70 24/9	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (7)	344.90	+0.6	–	5.93	–	12.75	342.90	345.79	346.69	427.69	502.02 8/2	319.38 24/9	547.59 12/10/87	31.21 7/1/75
69	Property (45)	940.71	+1.4	7.78	5.19	16.95	27.11	927.43	919.52	925.07	1178.59	1242.53 4/1	834.72 24/9	1398.87 5/9/89	56.01 20/4/65
70	Other Financial (21)	244.38	+0.1	11.57	7.38	11.10	12.21	244.10	243.52	243.05	323.04	350.59 4/1	233.78 1/10	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (70)	986.79	+0.5	–	4.06	–	27.18	982.08	998.41	1004.18	1204.49	1323.81 4/1	954.21 28/9	1323.81 4/1/90	71.12 13/12/74
91	Overseas Traders (5)	1055.24	+0.4	13.54	8.76	8.79	69.98	1050.59	1056.67	1061.50	1396.78	1614.04 3/1	1036.92 2/11	1614.04 3/1/90	97.37 6/1/75
99	ALL-SHARE INDEX (678)	985.66	+0.2	–	5.71	–	36.43	983.53	993.66	997.79	1114.66	1226.83 3/1	962.09 24/9	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 8	Nov 7	Nov 6	Nov 5	Nov 2	Year ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2040.6	+4.4	2050.8	2033.5	2036.2	2059.2	2069.8	2050.1	2030.7	2216.7	2463.7 3/1	1990.2 28/9	2463.7 3/1/90	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Nov 9	Day's change %	Thu Nov 8	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	118.61	+0.10	118.49	–	10.71
2	5-15 years	123.50	+0.16	123.31	–	11.95
3	Over 15 years	123.23	+0.06	123.15	–	10.78
4	Irredeemables	139.14	+0.32	138.70	–	13.46
5	All stocks	123.69	+0.13	123.53	–	11.55
	Index-Linked					
6	Up to 5 years	157.05	+0.03	157.00	–	3.04
7	Over 5 years	141.35	+0.14	141.15	–	3.45
8	All stocks	142.42	+0.13	142.23	–	3.42
9	Debentures & Loans	101.79	+0.02	101.77	–	9.69
10	Preference	72.93	+0.21	72.78	–	5.84

	AVERAGE GROSS REDEMPTION YIELDS		Fri Nov 9	Thu Nov 8	Year ago (approx.)	1990 High	1990 Low
	British Government						
1	Low	5 years	10.38	10.42	9.93	12.36 2/5	10.16 2/1
2	Coupons	15 years	10.83	10.86	9.63	11.94 30/4	9.58 2/1
3		25 years	10.86	10.89	9.55	11.85 30/4	9.52 2/1
4	Medium	5 years	11.40	11.41	10.98	13.58 2/5	11.03 2/1
5	Coupons	15 years	11.27	11.28	10.01	12.45 27/4	9.97 2/1
6		25 years	11.17	11.18	9.66	11.98 27/4	9.65 2/1
7	High	5 years	11.51	11.51	11.11	13.67 2/5	11.17 2/1
8	Coupons	15 years	11.48	11.48	10.22	12.76 27/4	10.17 2/1
9		25 years	11.44	11.45	9.81	12.27 27/4	9.78 2/1
10	Irredeemables	†	10.96	10.99	9.61	11.83 30/4	9.66 4/1
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	3.64	3.62	3.42	5.48 20/7	3.46 5/10
12	Inflation rate 5%	Over 5 yrs.	4.27	4.27	3.60	4.43 17/10	3.60 4/1
13	Inflation rate 10%	Up to 5yrs.	2.47	2.43	2.61	4.37 9/7	2.32 5/10
14	Inflation rate 10%	Over 5 yrs.	4.09	4.09	3.44	4.23 17/10	3.43 4/1
15	Debs &	5 years	13.36	13.35	13.75	16.70 30/4	13.01 15/1
16	Loans	15 years	12.86	12.86	12.28	14.48 26/4	12.27 12/1
17		25 years	12.50	12.50	11.86	13.89 4/5	11.99 2/1
18	Preference	†	12.98	13.01	10.66	13.13 5/10	10.87 2/1

‡Opening index 2035.2; 9 am 2038.3; 10 am 2034.0; 11 am 2036.9; Noon 2050.8; 1 pm 2041.8; 2 pm 2041.8; 2.30 pm 2042.0; 3 pm 2041.6; 4.10 pm 2042.7; (a) 12.00 (b) 10.19am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Engineering - Aerospace	29/12/89	486.00	Other Industrial Materials	31/12/80	287.41	Food Retailing	29/12/67	114.13
Engineering - General	29/12/89	486.00	Health/Household Products	30/12/77	261.77	Insurance Brokers	29/12/67	96.67
Water	29/12/89	1968.45	Other Groups	31/12/74	63.75	All Other	10/4/62	100.00
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Conglomerates	31/12/86	1114.07	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Telephone Networks	30/11/84	517.92	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00
Electronics	30/12/83	1646.65	Food Manufacturing	29/12/67	114.13	Preference	31/12/77	76.72
						FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

LONDON TRADED OPTIONS

EQUITY FUTURES edged higher yesterday in nervous trading as gains on Wall Street and speculation about a cut in UK interest rates outweighed growing fears of a UK economic slowdown. In the traded options market, STC continued to attract attention.

The December FT-SE 100 index futures contract closed 11 higher at 2,061, having traded between 2,057 to 2,076. December ended at a premium to the cash index of 19 points, compared with brokers' 30-point calculation of fair value, and 14 at the previous close.

In traded options, turnover, at 23,801 contracts, remained low. Yesterday's activity was split between 12,937 calls and 10,864 puts.

Dealing in STC was one of the main features of the session after Northern Telecom's 327p a share bid earlier in the week. A total of 3,807 contracts changed hands and was weighted towards calls. The larger trades included a broker sale of 500 January 240 calls.

In the FT-SE 100 index options, dealing was evenly divided between calls and puts as 6,726 contracts changed hands. The December 2,250 calls were the most popular.

Dealing was boosted by James Capel's sale of 1,000 November 2,100 calls and the purchase of 1,000 December 2,250 calls. Another broker bought 425 January 1,950 puts and sold the same amount of November 1,950 puts. Among the other stock options, Hanson was the second busiest, trading 1,916 lots, most of which were puts. The November 200 puts were the busiest.

Rolls-Royce was next on the list as trading concentrated in longer-dated calls. One investor sold 500 June 180 calls, boosting total turnover to 1,907 contracts.

SmithKline Beecham traded 1,402 as James Capel bought 500 January 550 calls, while 1,082 British Steel contracts changed hands.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*469)	420	60	80	85	5	10	14
	460	32	52	58	18	24	29
	500	14	32	38	40	43	50
ASDA (*124)	110	19	23	–	2½	5	–
	120	13	17	22	6	9	11
	130	7½	12	16	11	14	16
Brit. Airways (*140)	130	15	22	25	6	10	11
	140	10	15	20	9½	15	19
	160	5	9	12	27	29	30
SmKl Beecham A	500	68	87	100	6	13	17
[illegible]							

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Trafalgar (*167)	160	21	26	28	13	21	26
	180	12	17	19	29	34	37
Utd. Biscuits (*309)	300	26	33	40	9	15	17
	330	1	18	25	26	32	32
Unilever (*613)	600	42	64	70	22	32	37
	650	20	36	48	54	60	65
Ultramar (*326)	300	40	48	57	6	11	12
	330	21	31	38	16	22	25
[illegible]							

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Amstrad (*58)	50	10½	13	15½	2½	6	6
	60	3½	8½	10	4½	8	10
Barclays (*346)	330	28	43	47	10	20	23
	357	13	–	–	21	–	–
Blue Circle (*202)	200	13	23	25	8	13	19
	220	4½	14	17	22	24	30
British Gas (*219)	200	24	28	36	1½	5	7
	220	6½	14½	22	7	11½	13
Dixons (*139)	130	14	19	24	4	9	11
	140	8	13	19	8	11	16
Glaxo	750	40	75	95	16	28	35
[illegible]							

INTERNATIONAL COMPANIES AND FINANCE

Qantas to cut flying hours by 14% and lose 500 jobs

By Paul Betts, Aerospace Correspondent

QANTAS, Australia's state-owned international airline, is planning to cut 500 jobs during the next three months and reduce flying hours by 14 per cent.

The aim is to reduce, in the current financial year ending next June, operating costs which have been hit by soaring aviation fuel prices and the general economic slowdown.

The airline is still recovering from the impact of last year's five-month domestic pilots' strike in Australia which badly depressed growth in the continent's air travel market.

Although Qantas was not directly affected by the dispute, it calculates it lost about A$100m (US$83m) as a result.

Although it started operating profitably for a few weeks this summer, the rise in fuel prices following the Gulf crisis has plunged its operations into the red. The crisis is expected to increase the airline's fuel bill by more than A$300m this year.

However, it is expected later this month to report a small net profit for the year ended last June.

It will include an operating loss, offset by gains from the sale of aircraft. Qantas reported after-tax profits of A$176.8m on revenues of A$3.3bn in the financial year which ended in June 1989.

The airline confirmed yesterday it was selling five older Boeing 747 jumbo jets ahead of schedule, bringing to nine the number of Boeing 747s to be sold in the next 18 months.

The latest round of staff cuts will bring the total workforce from 17,000 down to 16,500 by the end of February. Qantas earlier this year cut 60 out of 400 management jobs and introduced a freeze on employment.

The reduction in flying hours will cut the total to 173,000 in this financial year from a target of 202,000. Qantas recently said it was to withdraw services from Amsterdam, Athens, Bombay and Bahrain as part of its network realignment in the face of the difficulties in the industry.

It has also to prepare for the partial privatisation of the airline. The Australian government confirmed this week it intended to float 49 per cent of the airline.

The airline is also committed to a A$10bn 10-year fleet renewal and expansion programme which will double its fleet to around 80 aircraft by the end of the decade.

Prominent lawyer to be head of Campeau

By Bernard Simon in Toronto

CAMPEAU Corporation, the Toronto-based real estate and retailing group fighting for its survival, has named a prominent corporate lawyer and public-sector administrator as its new president and chief executive.

The ailing company said yesterday that Mr Stanley Hartt, who until last summer was chief of staff to Mr Brian Mulroney, the Canadian prime minister, will take over from two Campeau directors, Mr James Raymond and Mr Gary Goodman, who have held the posts on a temporary basis since Campeau's founder, Mr Robert Campeau, was moved aside last August.

Mr Hartt, 52, is also expected to become chairman of Campeau Corp after the company's next board meeting.

Mr Hartt is presently a partner in the Montreal law firm of Stikeman Elliott. Before serving as Mr Mulroney's chief adviser, he was Canada's deputy minister of finance, the highest non-political post in the federal finance department.

Meanwhile, the string of defections which has turned Campeau's senior ranks into a blur of comings and goings over the past two years continues with the resignation of Mr Paul Campbell, president of Campeau Canada. Mr Campbell, who has chaired most of Campeau Corp's recent public meetings, is becoming chief executive of Trilea Centres, one of Canada's leading shopping centre developers.

Campeau's troubles stem from its US$10bn debt-financed takeovers of the two US department store groups, Allied Stores and Federated Department Stores. The two companies filed for protection from their creditors under US bankruptcy laws last January, and Campeau has been trying since then to negotiate concessions from its creditors to stave off collapse.

Mixed times for Japan steelmakers

By Robert Thomson in Tokyo

JAPAN's largest steelmakers generally suffered falls in pre-tax profit in the first half, with Nippon Steel reporting a 13.1 per cent fall to Y80.2bn ($572m) due to significant increases in personnel and distribution expenses.

Of the Big Five makers, only Kobe Steel reported a profit increase in the half to end September, with sales up 6.8 per cent to Y642.9bn, and pre-tax profit up 0.9 per cent to Y28.5bn on strong domestic sales of light alloys and a marginal 1.5 per cent increase in steel sales.

Companies reported that continued growth in the domestic economy fuelled growth in demand for steel sheets, plates and other materials used in the auto and construction industries. But the producers said these gains were countered by the higher personnel expenses and rising raw materials costs.

Nippon Steel said sales were unchanged from a year earlier at Y1,237bn, while the company expects sales for the full year at Y2,600bn, up from Y2,550bn last year, and a pre-tax profit of Y170bn, down from Y202bn.

The company reported that Japan's total crude steel production for the period was 54.85m tonnes, an increase of 630,000 tonnes over the second half of last fiscal year, while Nippon Steel's production rose by 140,000 tonnes to 14.3m tonnes.

Production was "buoyed by consumer demand and equipment investment by the private sector", the company said.

JAPANESE STEEL GROUP RESULTS
Half year to end-September 1990

Company	Sales Ybn	Sales % change	Pre-tax profits Ybn	Pre-tax profits % change
Nippon Steel	1,238	0	80.2	(13.2)
Kobe Steel	643	6.8	28.5	0.9
NKK	586	2.3	28.5	(30)
Sumitomo Metal	553	1.6	40.4	(14.7)
Kawasaki Steel	550	0.7	44.1	(15.7)

Figures in brackets show falls

NKK reported a 2.3 per cent increase in total sales to Y586.1bn, but a 30 per cent fall in pre-tax profits to Y28.5bn, with the engineering division reporting an increase in sales, but a loss overall, and sales of steel and steel products falling.

For the full year, NKK expects sales of Y1,300bn, up from Y1,277bn last year, though pre-tax profit is expected to fall by about 30 per cent to Y60bn because of rising fuel charges and additional depreciation costs. Capital spending for the year is targeted at Y133bn, up from Y88bn last year.

Sumitomo Metal Industries reported a 14.7 per cent fall in pre-tax profit to Y40.4bn, despite a 1.6 per cent increase in sales to Y553bn, with the profit decline attributed to iron ore price rises, increasing personnel charges, and higher interest rates. For the full year, the company expects sales of Y1,140bn, up 1.8 per cent, and a pre-tax profit of Y75bn, down 21.7 per cent.

Kawasaki Steel reported a 15.7 per cent fall in pre-tax profit to Y44.13bn on a 0.7 per cent increase in sales to Y550bn, and the company also blamed higher raw materials and distribution costs for the downturn in profit.

For the full year, Kawasaki expects a pre-tax profit of Y82bn, down 20.8 per cent, and sales of Y1,170bn, a 5.1 per cent increase.

Kobe Steel, for the full year, predicts a sales of Y1,330bn, up from Y1,220bn last year, and a pre-tax profit of Y56bn, the same as reported for last year.

Court controls Enimont stock

By John Wyles in Rome

A JUDICIAL custodian appointed by a Milan court yesterday took charge of the 80 per cent of Enimont stock owned by the warring partners in the chemicals joint venture, ENI and Montedison, after the public sector energy company had successfully secured a temporary injunction.

The court action marks a new phase in the year-long battle between the two leading Enimont shareholders over its strategy and control.

Recent government-inspired attempts to resolve the matter through the purchase by one partner of the other's shareholding foundered when Mr Raul Gardini's Montedison refused ENI's draft of a sale contract on the grounds that it sought to impose too many restrictions on Montedison's subsequent freedom to manage Enimont.

ENI's resort to the courts follows a clear indication from Montedison that, together with its allies, it would use its control of 51 per cent of Enimont's stock at a shareholders' meeting next Thursday to elect a board of directors upon which it would have a two-thirds majority. Mr Gardini would then be in a position to determine all key strategic decisions concerning the company's future.

Montedison has also called an assembly for next Tuesday to adopt a resolution to re-organise Enimont's agricultural fertilisers sector and another at the beginning of January to decide on a L8,500bn ($7.26bn) rights issue for Enimont.

Yesterday's court injunction will run at least until November 30 when there will be a full hearing. In the meantime, Avvocato Vincenzo Palladino, as the official custodian, will control full voting rights on the 80 per cent of the stock he is holding.

According to custom and practice, this would be cast at any shareholders meetings against any change in the status quo which would be to the detriment of either of the parties.

Undoubtedly, the government will now be hoping the move to the courts will encourage the two sides to negotiate a solution to one of the longest and most bitter corporate battles in recent history.

Managing director quits Itoman

By Robert Thomson in Tokyo

ITOMAN, the Japanese trading house, troubled by property debt in a softening market, was further shaken yesterday by the resignation of its senior managing director, Mr Suemitsu Ito, who has been responsible for property development.

But Mr Yoshihiko Kawamura, Itoman's president, indicated yesterday that Mr Ito had tendered his resignation without pressure from the bank and that he had resigned after completing his responsibilities on a debt-reduction package.

Itoman has said its property debts will be reduced by Y350bn ($2.5bn) by March and a further Y350bn will be cut in the following year.

Mr Ito joined Itoman last February as a chief of property development and was appointed managing director in June. A couple of months later, the Ministry of Finance targeted the company and its property exposure as an example of the problems that could face many Japanese companies. Until September, Itoman was citing the large property portfolio as a sign of a successful diversification from textiles, which have fallen from 90 per cent to 43 per cent of the group's business over the past 15 years.

Japanese bank ratings downgraded

By Stefan Wagstyl in Tokyo

MOODY'S, the US credit rating agency, yesterday removed prestigious AAA rating from Sumitomo Bank and Mitsubishi Bank, two leading Japanese banks.

Moody's downgraded the banks' long-term debt to AA1. It also downgraded the long-term debt of two other Japanese banks – the Long-term Credit Bank, from AA1 to AA2, and Tokai Bank, AA3, down from AA2.

Moody's said it acted out of concern about the banks' declining profitability and their exposure to risky markets, including the Japanese property market. It was also reacting to the banks' increases in lending to medium-sized companies instead of the large industrial groups.

Following yesterday's announcements, only two Japanese banks retain AAA ratings from Moody's – the Industrial Bank of Japan and Norinchukin, the farmers' co-operative bank.

However, Moody's pointed out that Japan continued to have the largest number of highly rated banks of any OECD country. The fundamental strength and liquidity of the Japanese banking system and of banks rated by Moody's remained substantial, said Moody's.

Moody's said it was concerned about Sumitomo's exposure to the property market and Mitsubishi had been slow to enter the middle market, where margins are larger than big-company lending.

Philips to hive off chip division

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics company, said yesterday it intended to hive off its semiconductor activities into a new and separate product division that will be better placed to respond to changes in a fiercely competitive market.

The organisational changes are due to take place on January 1, when the existing components division is to be split in two, with semiconductors and integrated circuits due to form a division of their own.

Semiconductors and integrated circuits are now grouped under the wider components division, which also includes such large-scale electronic components as colour television tubes and liquid crystal displays.

The new semiconductor division will employ 25,000 people compared with the 50,000-strong workforce that will remain at the existing components division.

Mr Heinz Hagmeister, who manages the component division's worldwide integrated circuit activities, will head the new division.

Philips said the changes will not be accompanied by any big job losses, because the production of semiconductors and the other products of the components division is already divided into distinct business units.

However, job cuts may be necessary among some of the 800 people who work in support and staff jobs at the existing components division in the Netherlands.

Philips could not say whether the splitting of the components division would lead the company to publish separate figures for each half.

Until now, the company has published only composite figures for the entire components sector, where profits from colour picture tubes and other display components have helped offset some of the losses which Philips has incurred in integrated circuits.

In 1989, the components sector as a whole swung into an operating loss of Fl125m ($74.3m), against an operating profit of Fl353m the year before.

SuperChannel takeover folds

By Raymond Snoddy

THE takeover of SuperChannel, the European satellite television channel, by United Artists Entertainment, the US cable television and cinema company, has collapsed.

UAE planned to put Mr Adam Singer, chief executive of United Artists Programming, in, but Mrs Marialina Marcucci, managing director, whose 57 per cent family stake would have fallen to a small percentage, wanted to remain.

Esselte faces demand to raise pay-out 525%

By John Burton in Stockholm

ESSELTE, the Swedish office products group, may be forced to raise its dividend for 1990 by 525 per cent following a demand by its principal shareholder, the financially pressed Mobilia investment company.

If Esselte increases its dividend from SKr8 per share to SKr50 as requested by Mobilia, it would result in SKr1.7bn ($294m) being distributed to shareholders, although the company is expected to make a profit after financial items of only SKr500m this year.

The higher dividend payments would come out of extraordinary income associated with this year's sale of its property and media holdings, which provided Esselte with a net capital gain of SKr2.75bn. Esselte's management had hoped to use this money to reduce the company's corporate debt of SKr5.6bn and finance a restructuring of operations.

ENTel 60% privatisation decree signed by Menem

By John Barham in Buenos Aires, William Dawkins in Paris and Stephen Fidler, Euromarkets Correspondent

THE developing world's largest privatisation was completed on Thursday when President Carlos Menem signed the final decree privatising 60 per cent of ENTel, Argentina's chaotic telephone company.

The privatisation is worth $214m in cash and $5.03bn in Argentine foreign debt certificates. Mr William Rhodes, senior executive-international of Citicorp said it marked "a milestone in the privatisation programme of the present administration in Argentina". Along with the recently reported drop in inflation, it showed "the policies of the economic team are beginning to take hold".

A consortium comprising Citibank, Telefonica de Espana and Techint, an Argentine industrial conglomerate will operate the southern network. A group made up of France Telecom, Stet, the Italian state telephone operator, J.P. Morgan and Perez Companc, an Argentine company will run the northern zone.

The northern consortium will provide $100m in cash plus $2.3bn in Argentine debt certificates in exchange for monopoly rights. It plans to invest $2bn over the next six years on installing 700,000 lines and renewing 400,000 ones – a big project in a country which has 3m telephone lines for 30m inhabitants.

France Telecom and STET will each take 32.5 per cent of Nortel, a holding company which will own 60 per cent of Telecom Argentina, the operating company for ENTel's northern networks. Perez Companc, an Argentine conglomerate and J.P. Morgan will take the remaining third of Nortel.

Mr Michel Hirsch, head of France Telecom's international services, said: "With the tariffs we have negotiated, the project will be profitable from the outset, at the same level as the best telephone operators."

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1990	Low 1990
Gold per troy oz.	$385.00	+9.00	$385.25	$420.25	$345.75
Silver Per troy oz	216.05p	-0.65	332.90p	323.50p	213.85p
Aluminium 99.7% (cash)	$1592.5	-285.0	$1802.5	$2227.5	$1380.0
Copper Grade A (cash)	£1317	-30	£1686	£1747.5	£1304.5
Lead(cash)	£369.0	-2.0	£437.0	£790	£365.5
Nickel (cash)	$8925	+75	$10125	$11375	$8075
Zinc SHG (cash)	$1293.5	+0.5	$1447.5	$1869	$1250
Tin (cash)	$6225	+25	$7130	$7020	$5785
Cocoa Futures (Mar)	£694	-4	£709	£967	£622
Coffee Futures (Jan)	£575	-14	£696	£757	£548
Sugar (LDP Raw)	$259.4	-1.8	$381.0	$386.4	$241.7
Barley Futures (Jan)	£116.25	-1.15	£109.9	£117.75	£103.45
Wheat Futures (Jan)	£119.30	-0.05	£112.05	£123.45	£111.00
Cotton Outlook A Index	82.55c	-0.95	83.70c	92.70c	73.70c
Wool (64s Super)	398p	-8	582p	580p	398p
Oil (Brent Blend)	$34.30y	+0.25	$19.125	$39.175	$15.575

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. y-December

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$29.75-9.85y	+0.50
Brent Blend (dated)	$35.05-5.15	+0.30
Brent Blend (December)	$34.25-4.35	+0.475
W.T.I. (1 pm est)	$34.95-4.97y	+0.585
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$335-340	-5
Gas Oil	$321-323	+2.5
Heavy Fuel Oil	$130-132	
Naphtha	$309-312	+4
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$385.00	-1.00
Silver (per troy oz)♣	425c	-1
Platinum (per troy oz)	$415.0	-6.5
Palladium (per troy oz)	$93.10	-0.90
Aluminium (free market)	$1590	-20
Copper (US Producer)	120c	
Lead (US Producer)	50c	
Nickel (free market)	410c	+10
Tin (Kuala Lumpur market)	16.24r	
Tin (New York)	288c	+4
Zinc (US Prime Western)	70c	
Cattle (live weight)†	104.98p	*+2.58
Sheep (dead weight)†	158.14p	*+14.5
Pigs (live weight)†	75.67p	*+6.51
London daily sugar (raw)	$259.4q	+2.0
London daily sugar (white)	$308.6q	+1.6
Tate and Lyle export price	£240.5	+0.6
Barley (English feed)	£117.5	
Maize (US No. 3 yellow)	£159.0	
Wheat (US Dark Northern)	£87.0	
Rubber (Dec)♥	51.00p	
Rubber (Jan)♥	52.00p	+0.75
Rubber (KL RSS No 1 Dec)	240.0m	+0.5
Coconut oil (Philippines)§	$325w	-15
Palm Oil (Malaysian)§	$330	
Copra (Philippines)§	$235t	+5
Soyabeans (US)	£135.5	
Cotton "A" index	82.55c	
Wooltops (64s Super)	398p	-6

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Jan. u-Oct/Dec v-Nov. w-Dec/Jan z-Jan/Mar y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	234.00	227.00	225.00
Mar	226.80	219.20	227.40 217.60
May	226.80	219.40	226.00 218.20
White	**Close**	**Previous**	**High/Low**
Dec	306.0	304.5	307.0 303.2
Mar	306.0	300.5	306.4 299.0
May	306.5	300.5	306.9 298.5
Aug	309.0	303.0	309.0 301.0
Oct	292.5	286.5	288.5 285.0
Dec	290.0	284.0	285.5 282.7
Mar	290.5		283.5

Turnover: Raw 2071 (1095) lots of 50 tonnes. White 1084 (4936)
Paris- White (FFr per tonne): Dec 1529 Mar 1518, May 1522, Aug 1546, Oct 1446

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Dec	34.10	34.89	34.55 33.50
Jan	32.70	33.32	33.15 32.20
Feb	31.10	31.50	31.60 31.00
Mar	30.07	32.20	30.20 30.00
Apr	29.00		29.10 29.00
IPE Index	34.45	33.93	

Turnover: 24783 (14533)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Nov	315.00	311.00	316.00 308.00
Dec	304.00	301.00	304.50 296.00
Jan	290.50	289.25	293.00 284.00
Feb	275.00	270.00	278.00 269.00
Mar	257.00	250.25	261.00 252.50
Apr	244.00	240.00	250.00 240.00
May	238.00		238.00

Turnover 12386 (14566) lots of 100 tonnes

SPICES
Activity remains very limited, reports Man-producten. After the abolition of the Menado Nutmeg Marketing Board, US and European buyers are reluctant to do future purchases, since they have little confidence in the present situation. Nutmegs/mace: European market, no change in price. Cassia: market unchanged. Cloves: market depressed, Madagascar/ Commores/ Zanzibar cloves for Dec/Jan 1991 shipment available at US$2,325 a tonne, cif Europe. In Brazil there are so far no sellers, quote $2,400 fob Brazil. China ginger from Singapore: sliced grades $1,425 and for whole peeled nr 1 at $1,825 cif Europe.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	653	652	662 651
Mar	694	695	707 693
May	721	723	734 720
Jul	745	745	755 743
Sep	768	768	777 766
Dec	796	796	797 794
Mar	823	825	832 826

Turnover: 4693 (3278) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 8 883.83 (874.27) 10 day average for Nov 9 883.06 (886.76)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	562	558	565 558
Jan	575	571	579 571
Mar	556	553	558 552
May	567	567	570 565
Jul	583	582	587 582
Sep	600	600	603 599
Nov		617	

Turnover: 2879 (3622) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 8: Comp. daily 70.61 (70.22). 15 day average 72.06 (72.30)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	85.0	79.9	80.0 75.0
Apr	148.8	149.2	149.3 147.5

Turnover 70 (130) lots of 40 tonnes.

SOYAMEAL – HI-PRO £/tonne

	Close	Previous	High/Low
Feb	117.00	118.00	117.00
Apr	120.00	121.00	120.00
Jun	120.50	121.00	120.50
Aug	121.50		121.50
Oct	122.50		122.50

Turnover 115 (85) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Jan	1225	1230	1225 1215
Apr	1200	1207	1205 1200
Oct	1140	1160	1140
BFI	1280	1284	

Turnover 180 (98)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Nov	115.65	115.10	115.60
Jan	119.30	118.75	119.40 119.25
Mar	123.10	122.50	123.10 123.00
May	126.45	125.90	126.50 126.40
Jun	128.10	127.50	128.00
Barley	**Close**	**Previous**	**High/Low**
Jan	116.25	116.20	116.25

Turnover: Wheat 275 (179). Barley 10 (116).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	97.0	95.5	97.0 96.0
Jan	92.3	91.5	92.0
Feb	94.0		94.0 93.5

Turnover 29 (10) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 17,435 lots
Cash	1595-600	1888-93		1590-2		
3 months	1624-5	1906-10	1626/1615	1614-6	1624-5	64,301 lots
Copper, Grade A (£ per tonne)						Total daily turnover 17,221 lots
Cash	1316-8	1311-3	1322/1316	1321-2		
3 months	1317-8	1311-3	1323/1316	1319-20	1319-20	107,137 lots
Lead (£ per tonne)						Total daily turnover 1,353 lots
Cash	368-70	368.5-9.5	368.5/368	368-8.5		
3 months	373-4	374.5-5	375/373	375-5.5	373-4	10,746 lots
Nickel ($ per tonne)						Total daily turnover 1,412 lots
Cash	8900-50	8700-50	8800/8750	8800-25		
3 months	8475-500	8360-75	8500/8325	8350-75	8450-75	7,496 lots
Tin ($ per tonne)						Total daily turnover 950 lots
Cash	6220-30	6145-50	6240/6200	6190-200		
3 months	6210-15	6155-60	6230/6170	6195-200	6230-5	8,711 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,881 lots
Cash	1282-5	1286-8	1276/1273	1276-7		
3 months	1269-70	1262-3	1276/1258	1263-4	1270-5	19,525 lots

LME Closing £/$ rate: SPOT: 1.9685 3 months: 1.9420 6 months: 1.9202 9 months: 1.9014

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	384¾-385¼	195¾-196¼
Opening	384¾-385¼	196½-197
Morning fix	384.65	195.922
Afternoon fix	385.70	196.155
Day's high	386-386½	
Day's low	384-384½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	396-401	201-204
Britannia	396-401	201-204
US Eagle	396-401	201-204
Angel	396-401	201-204
Krugerrand	384-387	195-197
New Sov.	90-92	45¾-46¾
Old Sov.	90-92	45¾-46¾
Noble Plat	420.00-426.40	213.50-216.75
Silver fix	**p/fine oz**	**US cts equiv**
Spot	216.05	424.40
3 months	223.35	432.90
6 months	230.05	441.15
12 months	243.15	458.20

TRADED OPTIONS

Aluminium (99.7%)	Calls Dec	Calls Jan	Puts Dec	Puts Jan
Strike price $ tonne				
1550	85	99	22	29
1650	32	46	68	75
1750	9	17	144	144
Copper (Grade A)	**Calls**		**Puts**	
2500	120	128	15	42
2600	55	72	48	85
2700	19	38	112	148
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
500	76	88	2	10
550	37	35	13	29
600	14	17	40	61
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
600	54		2	
650	18	72	16	28
700	3	45	51	51
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
3000				250
3050				
3100				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	384.8	387.3	385.7	384.5
Dec	386.3	388.9	388.0	383.3
Jan	388.3	390.9	0	0
Feb	390.1	392.7	391.7	387.1
Apr	393.6	396.3	395.3	390.8
Jun	397.5	400.2	398.7	395.0
Aug	401.1	403.9	0	0
Oct	405.0	407.8	406.5	405.5
Dec	408.6	411.7	409.5	409.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	417.6	417.6	0	0
Jan	410.3	421.6	417.0	410.0
Apr	414.7	425.9	421.0	414.5
Jul	416.8	430.1	425.5	421.8

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	422.0	425.8	0	0
Dec	423.7	427.7	426.5	422.0
Jan	425.7	429.7	0	0
Mar	432.8	436.8	435.5	431.0
May	438.9	442.9	441.4	439.5
Jul	444.8	448.8	447.5	445.0
Sep	450.8	454.8	0	0
Dec	459.6	463.6	461.5	459.6
Jan	462.1	466.1	0	0
Mar	468.8	472.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	115.90	114.65	116.00	114.60
Dec	114.90	113.80	115.20	113.90
Jan	113.85	112.70	114.10	114.10
Mar	111.75	110.90	111.80	110.90
Apr	110.95	110.20	110.80	110.80
May	109.95	109.25	110.00	109.40
Jun	109.25	108.55	0	0
Jul	108.50	107.80	108.60	108.40
Aug	107.55	107.15	0	0
Sep	106.80	105.75	106.50	106.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	34.90	35.53	35.40	34.70
Jan	33.85	34.37	34.30	33.70
Apr	29.75	30.22	30.10	29.75
May	28.70	29.17	29.05	28.60
Jul	27.15	27.61	27.50	27.20
Aug	26.70	27.02	26.90	26.70

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	9335	9344	9520	9325
Feb	9045	9138	9200	9025
Apr	8060	8118	8200	8050
Jun	7500	7473	7575	7475
Jul	7380	7358	7400	7380

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1165	1172	1188	1163
Mar	1227	1230	1250	1226
May	1267	1272	1287	1271
Jul	1300	1309	1325	1300
Sep	1332	1341	1355	1345
Dec	1370	1379	1387	'387
Mar	1425	1414	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	84.30	86.70	87.40	83.80
Mar	88.30	90.70	91.10	87.85
May	91.00	93.15	93.50	90.50
Jul	93.35	95.30	95.60	93.35
Sep	95.45	97.30	97.70	95.45
Dec	98.00	100.25	100.60	98.00
Mar	101.05	103.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.17	9.81	10.19	9.72
May	10.13	9.81	10.15	9.73
Jul	10.11	9.80	10.12	9.95
Oct	10.11	9.80	10.12	9.74
Mar	10.01	9.74	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	73.07	73.67	73.50	72.91
Mar	73.37	74.05	73.80	73.30
May	74.00	74.68	74.35	74.00
Jul	74.25	74.70	74.60	74.25
Oct	67.90	67.88	0	0
Dec	65.80	65.93	66.00	65.75
Mar	66.95	66.85	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	114.50	114.75	115.50	114.10
Jan	115.60	115.00	116.40	114.60
Mar	117.00	116.25	117.25	115.80
May	117.00	116.30	117.30	116.25
Jul	117.00	116.30	116.70	116.70
Sep	117.00	116.30	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Nov 9	Nov 8	mnth ago	yr ago
1704.6	1697.2	1732.3	1869.9

DOW JONES (Base: Dec. 31 1974 = 100)	Nov 8	Nov 7	mnth ago	yr ago
Spot	123.97	123.80	127.69	130.54
Futures	128.13	128.12	128.97	131.57

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	566/6	583/2	575/0	564/2
Jan	580/6	597/4	589/0	578/0
Mar	595/2	612/4	603/4	592/4
May	608/6	625/4	617/0	606/6
Jul	619/2	636/2	628/0	617/4
Aug	621/0	637/2	628/4	620/4
Sep	614/0	621/6	618/6	613/0
Nov	611/2	616/2	619/0	609/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	20.78	21.20	21.08	20.73
Jan	21.06	21.50	21.38	21.03
Mar	21.50	21.93	21.84	21.48
May	21.87	22.32	22.24	21.84
Jul	22.16	22.62	22.55	22.15
Aug	22.15	22.60	22.48	22.15
Sep	22.15	22.55	22.40	22.10
Oct	22.05	22.35	22.32	22.05
Dec	22.02	22.30	22.28	22.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	173.1	177.1	174.7	172.2
Jan	175.2	179.6	177.0	174.7
Mar	179.3	183.5	181.5	178.4
May	182.5	186.0	184.3	181.0
Jul	184.7	188.8	187.0	183.5
Aug	186.5	189.7	188.0	185.5
Sep	184.7	188.0	187.5	184.5
Oct	182.0	184.3	185.5	182.0
Dec	184.5	185.7	186.0	182.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	231/0	233/0	235/0	230/4
Mar	241/2	242/6	245/0	240/6
May	247/6	249/6	252/0	247/4
Jul	253/4	254/6	257/4	253/0
Sep	250/6	252/4	255/2	250/0
Dec	251/6	252/6	255/0	251/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	265/6	269/2	270/2	265/0
Mar	280/4	284/0	285/0	280/0
May	288/6	291/4	292/6	288/0
Jul	293/6	296/2	297/2	293/0
Sep	298/6	301/0	301/0	298/4
Dec	309/4	312/0	312/0	308/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.30	77.35	78.40	77.20
Feb	75.17	74.66	75.25	74.62
Apr	75.42	74.87	75.62	74.72
Jun	73.37	72.72	73.40	72.80
Aug	71.75	71.30	72.10	71.40
Oct	71.95	71.52	72.05	71.57
Dec	72.65	72.45	72.65	72.50

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	52.65	53.07	52.80	52.35
Feb	50.45	50.67	50.60	50.10
Apr	47.45	47.65	47.72	47.25
Jun	51.30	51.12	51.35	50.85
Jul	51.55	51.65	51.55	51.15
Aug	49.70	49.75	49.70	49.40
Oct	44.70	44.65	44.70	44.45
Dec	44.82	44.85	0	44.82

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	69.85	69.17	70.15	68.37
Mar	69.22	68.50	69.70	67.70
May	68.60	68.15	69.25	67.40
Jul	68.00	67.10	68.20	66.50
Aug	66.15	64.90	66.15	64.60

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound steady

CURRENCIES TRADED steadily yesterday. There was a lack of fresh factors and dealers were reluctant to take out positions ahead of a long holiday week-end in the US.

Tension in the Gulf prevented any sharp fall by the dollar, but underlying sentiment remained weak on speculation about a further easing of the Federal Reserve's monetary stance, possibly as early as next week's Federal open market committee meeting.

This view was encouraged by modest gains in US producer prices. In October the producer price index for finished goods rose 1.1 per cent, after a 1.6 per cent rise in September. If food and energy were stripped out of the calculation the PPI was unchanged, after a gain of 0.6 per cent in September.

At the London close the dollar had eased to DM1.4875 from DM1.4880 and to Y129.70 from Y129.85, but had improved slightly to SFr1.2500 from SFr1.2485 and to FFr4.9950 from FFr4.9925. The dollar's index fell to 60.4 from 60.5.

Sterling was also little changed, with the market taking a relaxed attitude towards low support for the Conservative government in two by-elections. Thursday's Autumn Statement from Mr John Major, chancellor of the exchequer, contained no great surprises, and the pound showed small mixed changes.

The political and economic situation is pointing towards a possible cut in bank base rates, but sterling's weakness in the exchange rate mechanism of the European Monetary System is likely to delay any move, say dealers.

The pound fell to DM2.9250 from DM2.9275 and to Y255.00 from Y255.50. It also lost 5 points to 1.9670, but was unchanged at SFr2.4575 and rose to FFr9.8250 from FFr9.8225. Sterling's index closed unchanged at 94.4.

Within the ERM the Spanish peseta was 3.84 per cent above its central rate against the weakest placed sterling. The Italian lira traded nervously after news that Italian trade slipped into deficit in September. The D-Mark was fixed in Milan at a record high of L752.50 compared with L751.35 on Thursday, prompting intervention by the Bank of Italy. The central bank sold $44m, Ecu63m and DM335m at the fixing. Dealers said the lira has come under pressure since an increase in the German Lombard rate earlier this month, with the Bank of Italy supporting the lira every day this week, except Tuesday.

Interest rate factors kept the D-Mark firm against the French franc, while comments from German officials suggesting there is no need for a Group of Seven meeting to discuss the dollar lent further support to the D-Mark.

£ IN NEW YORK

Nov.9	Latest	Previous Close
£ Spot	1.9665-1.9675	1.9660-1.9670
1 month	0.99-0.97pm	0.99-0.98pm
3 months	2.67-2.64pm	2.67-2.63pm
12 months	7.99-7.85pm	7.95-7.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.9	Previous
8.30 am	94.3	94.3
9.00 am	94.3	94.3
10.00 am	94.4	94.3
11.00 am	94.4	94.3
Noon	94.4	94.3
1.00 pm	94.4	94.4
2.00 pm	94.4	94.5
3.00 pm	94.4	94.6
4.00 pm	94.4	94.4

CURRENCY MOVEMENTS

Nov.9	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.4	-18.0
U.S Dollar	60.4	-18.7
Canadian Dollar	100.5	-1.0
Austrian Schilling	110.4	+12.2
Belgian Franc	112.2	-1.7
Danish Krone	111.4	+5.6
Deutsche Mark	119.9	+25.7
Swiss Franc	116.2	+25.1
Guilder	115.3	+15.7
French Franc	106.1	-10.9
Lira	99.6	-19.5
Yen	134.1	+69.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Nov.8.

CURRENCY RATES

Nov 9	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.734861	0.701345
U.S Dollar	7	1.44018	1.37779
Canadian $	12.82	1.68285	1.61271
Austrian Sch	6½	15.1449	14.4544
Belgian Franc	10¼	44.3395	42.3395
Danish Krone	10½	8.24359	7.86444
Deutsche Mark	6.00	2.15220	2.05498
Neth.Guilder	7.25	2.42814	2.31758
French Franc	10¼	7.22682	6.90136
Italian Lira	12½	1617.68	1547.12
Japanese Yen	6	186.359	178.631
Norway Krone	8	N/A	8.01530
Spanish Peseta	-	135.363	129.512
Swedish Krona	11	N/A	7.67706
Swiss Franc	6.00	1.80959	1.72568
Greek Drach	20½	N/A	210.017
Irish Punt	-	N/A	0.766632

† European Commission Calculations.
* All SDR rates are for Nov 8

OTHER CURRENCIES

Nov 9	£	$
Argentina	10473.4 - 10498.4	5330.00 - 5340.00
Australia	2.5265 - 2.5285	1.2825 - 1.2835
Brazil	225.025 - 226.660	114.50 - 115.30
Finland	6.9880 - 7.0010	3.5580 - 3.5610
Greece	296.60 - 301.35	151.20 - 153.65
Hong Kong	15.3175 - 15.3315	7.7970 - 7.7990
Iran	125.30*	63.30*
Korea(Sth)	1392.20 - 1414.65	712.50 - 718.10
Kuwait	N/A	N/A
Luxembourg	60.25 - 60.35	30.60 - 30.70
Malaysia	5.2990 - 5.3120	2.6985 - 2.7005
Mexico	5748.50 - 5751.95	2925.00 - 2930.00
N.Zealand	3.2160 - 3.2210	1.6340 - 1.6360
Saudi Ar	7.3480 - 7.3745	3.7490 - 3.7510
Singapore	3.3550 - 3.3620	1.7100 - 1.7120
S.Af (Cm)	4.9660 - 4.9785	2.5300 - 2.5315
S.Af (Fn)	7.0975 - 7.2650	3.6100 - 3.6765
Taiwan	53.85 - 53.95	27.25 - 27.30
U.A.E.	7.1970 - 7.2230	3.6720 - 3.6740

* Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.9670	1.9572	1.9405	1.9201	1.8876
D-mark	2.9250	2.9114	2.8913	2.8695	2.8379
French Fr.	9.8250	9.7912	9.7400	9.6885	9.6336
Swiss Fr.	2.4575	2.4459	2.4268	2.4038	2.3665
Yen	255.00	253.75	251.70	249.44	245.66

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9605 - 1.9675	1.9665 - 1.9675	0.99-0.97cpm	5.98	2.67-2.64pm	5.40
Ireland†	1.7915 - 1.8015	1.8005 - 1.8015	0.25-0.30cpm	1.83	1.15-1.05pm	2.44
Canada	1.1670 - 1.1705	1.1695 - 1.1705	0.40-0.43cdis	-4.26	1.18-1.23dis	-4.12
Netherlands	1.6755 - 1.6815	1.6780 - 1.6790	0.06-0.09cdis	-0.54	0.25-0.32dis	-0.68
Belgium	30.60 - 30.85	30.60 - 30.70	1-4cdis	-0.98	5-9dis	-0.91
Denmark	5.68¾ - 5.72¼	5.69¼ - 5.69¾	0.83-1.03oredis	-1.96	2.90-3.40dis	-2.21
Germany	1.4855 - 1.4915	1.4870 - 1.4880	0.04-0.06pfdis	-0.40	0.28-0.31dis	-0.79
Portugal	131.00 - 131.25	131.00 - 131.10	78-88cdis	-7.60	230-260dis	-7.48
Spain	93.70 - 94.20	93.75 - 93.85	49-52cdis	-6.46	147-153dis	-6.40
Italy	1118 - 1122	1119½ - 1120	2.20-2.70liredis	-2.63	7.60-8.60dis	-2.89
Norway	5.79 - 5.83¼	5.80½ - 5.81	1.30-1.65oredis	-3.05	4.20-4.70dis	-3.07
France	4.98¼ - 5.01	4.99¼ - 4.99¾	0.76-0.81cdis	-1.89	2.40-2.50dis	-1.96
Sweden	5.55½ - 5.58¾	5.56½ - 5.57	2.85-3.20oredis	-6.52	8.25-8.90dis	-6.16
Japan	128.85 - 129.95	129.65 - 129.75	par-0.02ypm	0.09	0.06-0.09dis	-0.23
Austria	10.46½ - 10.52	10.46½ - 10.47	0.55-0.90grodis	-0.83	2.20-3.20dis	-1.03
Switzerland	1.2465 - 1.2525	1.2495 - 1.2505	0.02-0.06cpm	0.38	0.10-0.16pm	0.42
ECU	1.3850 - 1.3890	1.3865 - 1.3875	0.21-0.19cpm	1.73	0.66-0.63pm	1.89

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9605 - 1.9675	1.9665 - 1.9675	0.99-0.97cpm	5.98	2.67-2.64pm	5.40
Canada	2.2880 - 2.3000	2.2990 - 2.3000	0.36-0.31cpm	1.75	0.63-0.56pm	1.04
Netherlands	3.29¼ - 3.31	3.29¾ - 3.30¾	1⅝-1½cpm	5.68	4⅛-3⅞pm	4.84
Belgium	60.10 - 60.40	60.25 - 60.35	28-25cpm	5.27	71-66pm	4.54
Denmark	11.18 - 11.21¼	11.19¾ - 11.20¾	3¾-3⅜orepm	3.82	9¾-8¾pm	3.33
Ireland	1.0905 - 1.1015	1.0925 - 1.0935	0.36-0.32cpm	3.73	0.93-0.81pm	3.18
Germany	2.92 - 2.93¾	2.92 - 2.93	1½-1¼pfpm	5.64	3½-3⅜pm	4.70
Portugal	256.30 - 258.10	257.00 - 258.00	22-44cdis	-1.54	93-155dis	-1.93
Spain	183.80 - 185.20	183.95 - 184.25	1-9cdis	-0.33	34-44dis	-0.85
Italy	2199½ - 2205½	2202 - 2203	7-5lirepm	3.27	15-13pm	2.54
Norway	11.40 - 11.44¼	11.41¼ - 11.42¼	3¼-2⅞orepm	3.09	7-6⅛pm	2.34
France	9.81¼ - 9.83¼	9.82 - 9.83	3½-3¼cpm	4.12	8⅞-8⅜pm	3.49
Sweden	10.92½ - 10.96¾	10.94½ - 10.95½	¼-½oredis	-0.41	1⅞-2⅞dis	-0.78
Japan	254¼ - 256¾	254½ - 255½	1⅜-1¼ypm	5.88	3⅞-3¼pm	5.20
Austria	20.56 - 20.61	20.58 - 20.61	9½-8¼gropm	5.32	24¼-22pm	4.49
Switzerland	2.45¼ - 2.46¾	2.45¼ - 2.46¼	1¼-1⅛cpm	5.80	3⅞-3pm	4.98
ECU	1.4150 - 1.4185	1.4155 - 1.4165	0.22-0.21cpm	1.82	0.71-0.68pm	1.96

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.71-4.67cpm. 12 Month 7.99-7.89cpm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 9	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.512	-3.08	3.84	54
Belgian Franc	42.4032	42.3395	-0.15	0.79	11
Irish Punt	0.767417	0.766632	-0.10	0.74	8
German D-Mark	2.05586	2.05498	-0.04	0.68	8
Dutch Guilder	2.31643	2.31758	0.05	0.59	1
French Franc	6.89509	6.90136	0.09	0.55	-1
Danish Krone	7.84195	7.86444	0.29	0.35	-9
Italian Lira	1538.24	1547.12	0.58	0.06	-24
Sterling	0.696904	0.701345	0.64	0.00	-12

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

Nov 9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14¾ - 14⅝	14¾ - 14⅝	14⅛ - 14¼	13⅞ - 13¾	13⅜ - 13¼	12⅞ - 12¾
US Dollar	7¾ - 7⅝	7¾ - 7⅝	8 - 7⅞	8⅛ - 8	8⅛ - 7⅞	8⅛ - 8
Can. Dollar	12⅝ - 12½	12⅝ - 12½	12⅝ - 12½	12⅛ - 11⅞	11⅞ - 11¾	11¾ - 11½
D. Guilder	8⅝ - 8½	8⅝ - 8½	8⅝ - 8⅝	8⅞ - 8⅞	8⅞ - 8⅞	9 - 8⅞
Sw. Franc	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 8⅛	8⅛ - 8⅛	8⅝ - 8⅛	8⅛ - 8⅛
Deutschmark	8⅛ - 7⅞	8⅛ - 8⅛	8⅝ - 8¼	8⅞ - 8⅝	8⅞ - 8⅞	9⅛ - 9
Fr. Franc	9⅞ - 9⅝	9⅝ - 9⅜	9⅞ - 9⅝	10 - 9⅞	10⅛ - 10	10⅜ - 10⅛
Italian Lira	13 - 11	10½ - 9½	10⅝ - 10¼	11 - 10½	11¼ - 10⅞	11⅝ - 11⅜
Belgian Franc	8½ - 8⅛	8⅞ - 8⅞	9 - 8⅞	9⅛ - 9	9⅜ - 9¼	9⅜ - 9⅛
Yen	8⅛ - 7⅞	8⅛ - 8	8⅛ - 8⅛	8⅛ - 8⅛	8½ - 8⅜	8½ - 8⅜
D.Krone	9⅝ - 9½	9⅝ - 9½	10 - 9⅞	10⅜ - 10¼	10⅝ - 10⅜	10⅝ - 10⅜
Asian $Sing	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 8⅛	8⅛ - 8	8⅛ - 8

Long term Eurodollars: two years 8⅛-8⅛ per cent; three years 8⅞-8⅛ per cent; four years 8⅞-8⅝ per cent, five years 9-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.9	£	$	DM	Yen	F Fr.	S Fr	H Fl	Lira	C $	B Fr.
£	1	1.967	2.925	255.0	9.825	2.458	3.303	2203	2.299	60.30
$	0.508	1	1.487	129.6	4.995	1.250	1.679	1120	1.169	30.66
DM	0.342	0.672	1	87.18	3.359	0.840	1.129	753.2	0.786	20.62
YEN	3.922	7.714	11.47	1000.	38.53	9.639	12.95	8639	9.016	236.5
F Fr.	1.018	2.002	2.977	259.5	10.	2.502	3.362	2242	2.340	61.37
S Fr.	0.407	0.800	1.190	103.7	3.997	1	1.344	896.3	0.935	24.53
H Fl.	0.303	0.596	0.886	77.20	2.975	0.744	1	667.0	0.696	18.26
Lira	0.454	0.893	1.328	115.8	4.460	1.116	1.499	1000	1.044	27.37
C $	0.435	0.856	1.272	110.9	4.274	1.069	1.437	958.2	1	26.23
B Fr.	1.658	3.262	4.851	422.9	16.29	4.076	5.478	3653	3.813	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE) [illegible]

CHICAGO [illegible]

PHILADELPHIA SE £/$ OPTIONS [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int
December	90.06	90.02	-0.05	90.06	90.02	9.98	17,406
March	90.13	90.12	-0.04	90.15	90.11	9.88	12,603
June	90.10	90.11	-0.01	90.12	90.10	9.90	1,533
September	90.05	90.05	-0.04	90.08	90.02	9.96	499

Estimated volume 8,081 Total Open Interest 32,041

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
November	1568.0	1572.5	+3.5	1581.0	1567.0	7,885
December	1575.0	1585.0	+10.5	1585.0	1575.0	729
January	1580.0	1580.0	+1.0	1580.0	1580.0	0
March	-	-	-	-	-	0

Estimated volume 4,301 Total Open Interest 8,614

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9670	1.9572	1.9405	1.9201	1.8876

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.9540	1.9574	1.9520	1.9570
Mar	1.9320	1.9350	1.9300	1.9338
Jun	1.9148	-	1.9110	1.9148

BANK RETURN

BANKING DEPARTMENT	Wednesday November 7 1990	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	44,731,762	+ 608,030
Bankers Deposits	1,736,330,036	- 81,593,762
Reserve and other Accounts	2,090,115,936	+ 14,484,996
	3,885,730,734	- 66,500,736
ASSETS		
Government Securities	1,272,006,113	+ 50,035,000
Advance and other Accounts	1,592,580,683	- 345,031,488
Premises Equipment & other Secs	1,007,972,367	+ 226,156,308
Notes	12,983,879	+ 2,324,970
Coin	187,692	+ 14,474
	3,885,730,734	- 66,500,736
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	15,557,016,121	- 32,324,970
Notes in Banking Department	12,983,879	+ 2,324,970
	15,570,000,000	- 30,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	11,028,082,881	- 761,313,977
Other Securities	4,530,902,019	+ 731,313,977
	15,570,000,000	- 30,000,000

MONEY MARKETS

Pressure eases

FIXED PERIOD rates were steady on the London money market yesterday, but pressure on the short end eased after the Bank of England forecast a lower than expected day-to-day credit shortage. Overnight money was around 14¼ per cent, compared with a peak of 15¾ on Thursday.

Some market operators were again prepared to sell bills to the authorities at a rate higher than the established level. This was regarded as a relatively cheap way of obtaining money at a time when the authorities are keeping the short end of the market tight to deter speculation about an early cut in bank base rates.

UK clearing bank base lending rate 14 per cent from October 8, 1990

Three-month sterling interbank was quoted at 13⅞-13¾ per cent against 13⅞-13⅞ previously and 12-month money was 12¾-12⅞ per cent compared with 12¾-12⅝.

On Liffe short sterling futures opened weaker, but rallied towards the close. December delivery started at 86.89 and fell to 86.85, before closing near the day's peak at 86.95, unchanged on the day.

The Bank of England initially forecast a money market shortage of £600m. This was revised to £650m at noon and to £700m in the afternoon, but assistance of only £499m was provided.

Before lunch the authorities bought £216m bills outright, by way of £188m bank bills in band 1 at 14-13⅞ per cent and £28m Treasury bills in band 2 at 13¾ per cent. In the afternoon another £218m bank bills were purchased in band 1 at 13⅞ per cent. Late assistance of around £65m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,368m, with a rise in the note circulation absorbing £465m. These outweighed exchequer transactions adding £905m to liquidity and bank balances above target of £335m.

At the weekly Treasury bill tender the average rate of discount on 91-day bills fell to 13.0552 from 13.0693 per cent. The top accepted rate of discount declined to 13.0558 from 13.0959 per cent. This was equivalent to a price of £96.745 and bids at that level received 97 per cent of the amount applied for. The £250m bills on offer attracted bids of £1.54bn.

The average rate on £200m 183-day bills rose to 12.3182 from 12.3030 per cent and the average on 63-day bills rose to 13.4340 from 13.3833 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.9) 3 months US dollars		6 months US Dollars	
bid 8	offer 8⅛	bid 7⅞	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¼
Fed.funds	7⅞
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	7.29	Three year	7.77
Two month	7.47	Four year	7.99
Three month	7.31	Five year	8.11
Six month	7.40	Seven year	8.39
One year	7.34	10-year	8.52
Two year	7.63	30-year	8.69

Nov.9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.10-8.20	8.20-8.30	8.55-8.70	8.60-8.75	8.70-8.90	8.50
Paris	9⅞-10	9⅞-9⅞	9⅞-9⅞	9⅞-10	10-10⅛	9.50
Zurich	7⅞-7⅞	8⅛-8⅞	-	8⅛-8½	-	-
Amsterdam	8.18-8.31	8.36-8.46	-	8.63-8.73	-	-
Tokyo	7⅞-7⅞	8⅛-8⅛	-	8⅛-8⅛	-	-
Milan	10-10⅛	11⅞-11⅞	-	11⅞-12⅛	-	-
Brussels	9.20	8⅞-8⅞	-	9-9⅛	-	-
Dublin	10¼-10⅜	10⅝-10½	10⅛-10⅝	10⅞-10⅞	10⅞-10⅞	-

LONDON MONEY RATES

Nov 9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15⅝	15	14⅜	13⅞	13⅞	12¾
Interbank Bid	13½	14½	14⅛	14¼	14¼	12⅝
Sterling CDs	-	-	14⅛	13⅞	13⅜	12¾
Local Authority Deps.	14⅞	14¼	14⅛	13¾	13⅛	12¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14½	14⅞	13⅞	13¾	13⅜	12⅞
Company Deposits	-	-	14	13⅞	13⅛	12⅝
Finance House Deposits	-	-	14⅛	13⅞	-	-
Treasury Bills (Buy)	-	-	14	13⅞	-	-
Bank Bills (Buy)	-	-	13⅞	13⅞	12⅞	-
Fine Trade Bills (Buy)	-	-	14⅞	14	13⅞	-
Dollar CDs	-	-	8.00	8.05	8.00	8.00
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9⅛	9⅛
SDR Linked Dep. Bid	-	-	8⅛	8⅞	8⅞	9
ECU Linked Dep. Offer	-	-	9⅞	9⅞	10⅛	10⅜
ECU Linked Dep. Bid	-	-	9⅜	9⅞	9⅞	10⅛

Treasury Bills (sell); one-month 13¾ per cent; three months 13⅜ per cent; six months 12⅞ per cent. Bank Bills (sell); one-month 13⅞ per cent; three months 13¼ per cent; Treasury Bills; Average tender rate of discount 13.0552 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1990. Agreed rates for period Nov 26, 1990 to Dec 25, 1990, Scheme I: 15.08 p.c., Schemes II & III: 15.32 p.c. Reference rate for period Sept 29, 1990 to Oct 31, 1990, Scheme IV&V: 14.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	15½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit. Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Megharaj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk.of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat. Bk. of Kuwait	15		

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MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

J. Henry Schroder Wagg & Co Ltd [illegible]

Western Trust High Interest Cheque Acc [illegible]

Wimbledon & South West Finance PLC [illegible]

Citibank Savings [illegible]

Clydesdale Bank PLC [illegible]

NOTES-Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers-compounded annual rate. Int Cr: frequency interest credited.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 2563

Exchequer 10½% Stk 2005 - £94½ (7No90)
Guaranteed Export Finance Corp PLC 12⅞% Gtd Ln Stk 2002(Reg) - £103⅞ ½ 4 ⅛ (7No90)

Corporation and County Stocks
No. of bargains included 5

Greater London Council 6¾% Stk 90/92 - £93½

(5No90)
Electricite de France 12½% Gtd Ln Stk 2008(Reg) - £104 4
11¾% Gtd Ser Ln Stk 2009/12(Reg) - £98⅞ (7No90)
European Investment Bank 9% Ln Stk 2001 (Reg) - £81⅞ ⅝ 2⅛
9½% Ln Stk 2009 - £82 ¼
10¾% Ln Stk 2004(Reg) - £88½ ⅛ ⅝ 9
11% Ln Stk 2002(Reg) - £93½
Finland(Republic of) 11½% Ln Stk 2009(Reg) - £95½ ⅝ (6No90)
Hydro-Quebec 12.75% Ln Stk 2015 - £100½ ⅝ (7No90)

UK Public Boards

Foreign Stocks, Bonds, etc-(coupons payable in London)

Banks and Discount Companies

Breweries and Distilleries

Registered Housing Associations

Commercial, Industrial, etc

Sterling Issues by Overseas Borrowers

Insurance

Investment Trusts

Financial Trusts, Land, etc

Unit Trusts

Mines - Miscellaneous

Mines - South African

Oil

Property

Plantations

Shipping

Utilities

Water

Miscellaneous Warrants

USM Appendix

The Third Market Appendix

Rule 535(2)
No. of bargains included 19

Adam & Co PLC Ord £1 - £1.55
African Gold PLC Ord 1p - £0.075
Amalgamated Metal Corp PLC Ord £1 - £1.4 (2No90)
Arsenal Football Club Ld Ord £1 - £3500 (6No90)
Brown(A.)& Sons PLC Ord 5p - £0.6 0.68 0.7 0.72 (5No90)
Channel Islands Coms (TV) Ld Ord 5p - £0.31 (6No90)
Clucas Cleaners Ld Ord £1 - £2.4 (7No90)
Conister Trust Ld Ord 25p - £0.7 (2No90)
D.B.S.Management PLC Ord 10p - £2.1 (7No90)
Douglas Gas Light Co Ld Ord £1 - £4.35 (5No90)
Jennings Bros Ld Ord 25p - £2
Le Riche's Stores Ld Ord £1 - £3¾ 3.8 (7No90)
Liverpool FC & Athletic Grounds PLC Ord £5 - £1000 (6No90)
MIM Britannia International Ld Japan Income & Growth - £1.55 1.555 (5No90)
Manchester United Football Club Ld Ord £1 - £20 (2No90)
Manx Petroleum PLC Ord £1 - £0⅞ (7No90)
Merrett Hldgs PLC Ord 10p - £0.91
North West Exploration PLC Ord 20p - 8 (7No90)
Quay Properties Ld £1 - £1.05 (2No90)
Rangers Football Club PLC Ord £1 - £54 55 (7No90)
Shepherd Neame PLC "A" Ord £1 - £5.35 5.4
Southern Newspapers PLC Ord £1 - £1.8 (5No90)
Sutton Harbour Improvement Co Ord 25p - £3⅞ (7No90)
Transatlantic Hldgs PLC Ord 50p - £3.2
Wynnstay Properties PLC 25p - £1.3♦
Yates Bros Wine Lodges PLC Ord 25p - £1

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Ampol Exploration A$2.51075♦ 2.5 (7/11)
Aust. Oil & Gas A$0.797
Boral Ord. A$3.181
Cape Range Oil A$0.131 (7/11)
Central Kalgoorlie Gold Mines A$0.019 (7/11)
Dainippon Screen Manufacturing Y1264.098, 1265.2437 (6/11)
Eastcourt Ord A$0.039 (6/11)
Grants Patch Mining A$0.405
Keystone International $23.375♦
Kulim Malaysia Ord (Malay Ord) M$1.85 (6/11)
LVMH Moet-Hennessy Louis Vuitton FR3461.855, 3515.81, 3525
National Electronics 0.5♦ 2♦
Noranda Inc C$14.5 (6/11)
North Borneo Timbers S$0.756, 0.786
Oil Search 21 (2/11)
Overseas Chinese Banking Corp S$6.9, 7.15 (7/11)
Pretoria Portland Cement R18.5 (2/11)
Regal Hotels (hldgs) HK1.54927, 1.55682
Saab-Scania Ser "A" SK210♦ 212.73♦ 202 (2/11)
United Overseas Land S$1.42534♦ 1.432754♦ (6/11)
Vam A$0.12
Vamgas A$2.6418
Wooltru Ord R51.75

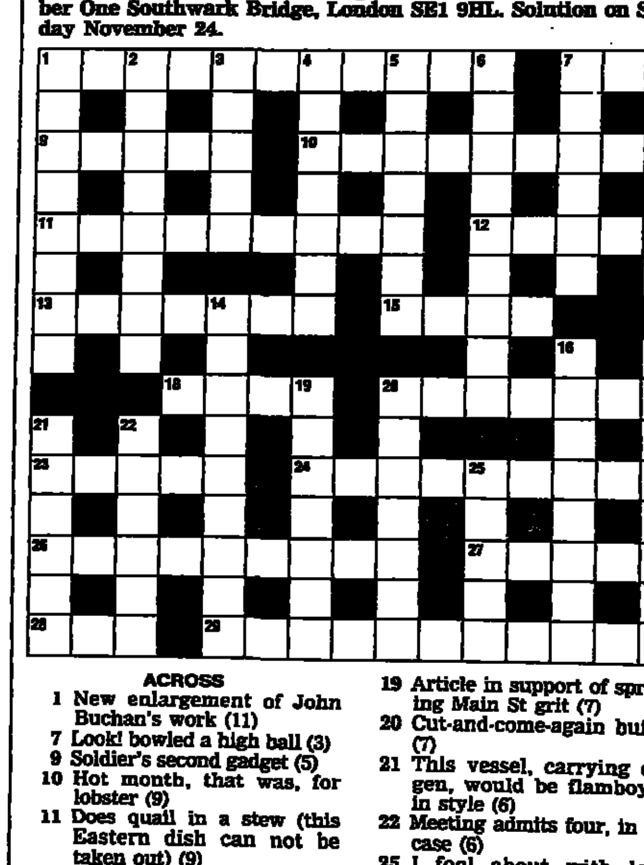
By Permission of the Stock Exchange Council

JOTTER PAD

CROSSWORD

No. 7,390 Set by DINMUTZ

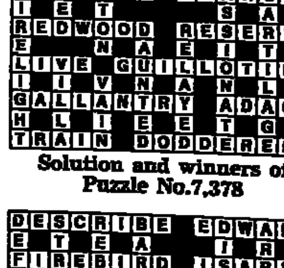
Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday November 21, marked Crossword 7,390 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday November 24.



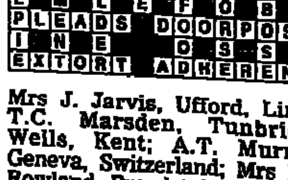
ACROSS
1 New enlargement of John Buchan's work (11)
7 Look! bowled a high ball (3)
9 Soldier's second gadget (5)
10 Hot month, that was, for lobster (9)
11 Does quail in a stew (this Eastern dish can not be taken out) (9)
12 Inexperienced one is trapped by central body of church (5)
13 The rate of exchange in Cambridge, for example (7)
15 Geological boundary in Palermo hot area (4)
18 Burden – and where it seems to fall? (4)
20 Officer isolated in mountain-pass (7)
23 Signal from a left limb (5)
24 A rather fanciful "Blithe Spirit" (4-5)
26 Nimble third man is useful on the field (9)
27 Plain on all backs (5)
28 Zigzagging sheep? (3)
29 Tolerant of things off-the-peg? (5-2-4)

DOWN
1 Dental defect apparent after a joke? (3-5)
2 Captivated by drudge in conclusion (8)
3 I complain about Ruth's mother-in-law (5)
4 Quaint English variety of heirloom (7)
5 Roof-member to fasten with a smile? (3,4)
6 Men Hamlet upset? Hard cheese! (9)
7 Beethoven's guild changed to admit women (6)
8 Do they prohibit chaps in pubs? (6)
14 Omar Khayyam as wine-producer? (9)
16 Cherished china (8)
17 Devotee of 13 sees actor taking green light (8)
19 Article in support of spreading Main St grit (7)
20 Cut-and-come-again buffet? (7)
21 This vessel, carrying oxygen, would be flamboyant in style (6)
22 Meeting admits four, in this case (6)
25 I fool about with large manuscript (5)

Solution to Puzzle No.7,389



Solution and winners of Puzzle No.7,378



Mrs J. Jarvis, Ufford, Lincs; T.C. Marsden, Tunbridge Wells, Kent; A.T. Murray, Geneva, Switzerland; Mrs B.J. Rowland, Broadstairs, Kent; P. Stevens, Brookmans Park, Herts.

LONDON STOCK EXCHANGE

Early gains cut back in nervous trade

FURTHER consideration of the UK government's Autumn Statement on the British economy inspired a somewhat gloomy mood in the City of London and kept UK equities subdued yesterday. Trading levels remained unimpressive and an attempted recovery from a weak opening was checked by an initially uncertain response to Unilever's third-quarter trading report and a new downgrading of Hanson, one of the market's most widely held stocks.

The session opened in the face of a humiliating fall in the government vote at two key UK by-elections. Although the election results had been largely foreseen in the market, they refuelled uncertainties over the near-term political outlook, and in particular the prospects for the leadership debate inside Britain's Conservative party.

Account Dealing Dates		
*First Dealings:		
Oct 22	Nov 5	Nov 19
Option Declarations:		
Nov 1	Nov 15	Dec 6
Last Dealings:		
Nov 2	Nov 16	Dec 7
Account Day:		
Nov 12	Nov 26	Dec 17

*New-time dealings may take place from 8.30 am two business days earlier.

With no lead given from either Tokyo or New York, London equities were left to worry on their own about the Gulf situation. Oil prices edged higher again at first, but this bearish factor on equities slackened as Brent crude prices topped off before the end of London trading day. Sterling remained firm, sustaining hopes in the London equity market for a cut in domestic base rates before the Christmas holidays.

Government bond prices began to slip lower as the session progressed, and by the close losses ranged to around ½ at the longer end. Index-linked gilts, the market's inflation hedge issues, were no more than a touch firmer despite the prediction by Mr John Major, the chancellor of the exchequer, that domestic inflation will halve to an annualised 5.5 per cent rate by the end of next year. Kleinwort Benson Securities said the absence of an upward revision in government revenues in the Autumn Statement implied that big gilts issues are in the pipeline.

Equities were a couple of Footsie points down very early in the session, but they turned higher on renewed speculation that the chancellor's statement might be linked with a cut in base rates. With nothing to sustain such hints when the noon deadline for official action came and went, the equity market ran out of steam and a gain of 14 Footsie points was quickly cut back. Wall Street made a somewhat uncertain start and London traders met further discouragement when a failure of electrical power cut many telephone and computer links in the City.

The market ended the day, and the first week of the two week trading account, in subdued form, with the FT-SE index 4.4 points up at 2,040.6. Traders commented that the market had rallied at the day's low of 2,033.5, reinforcing the level at which it steadied a week ago. Over the week, the index has gained 10 points as the market has traded uneasily beneath the shadow of the Gulf.

Seaq volume fell to 370.1m shares yesterday from the 423.1m of the previous session. Some hefty selling was reported in selected areas, however, with Hanson a notable target.

Comment on the Autumn Statement from the brokerage houses ranged from the moderately polite – "well prepared ground," said County NatWest – to the distinctly less restrained – "recession – its official," from James Capel.

UBS Phillips & Drew was "somewhat more optimistic" than the chancellor, believing that the UK Treasury may have over reacted to gloomy reports from the Confederation of British Industry and underestimated the potential for productivity improvement.

FINANCIAL TIMES STOCK INDICES

	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	80.24	80.13	80.32	80.41	80.35	84.47	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.33	88.40	88.43	88.47	88.45	93.78	92.81 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1582.6	1574.9	1590.8	1598.9	1581.1	1773.0	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	166.0	166.1	167.7	168.1	168.6	259.3	378.5 (6/2)	163.2 (15/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2040.6	2036.2	2059.2	2069.8	2050.1	2216.7	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	950.16	948.81	957.84	970.58	977.14	-	-	-	-	-
Ord. Div Yield	6.05	6.08	6.01	5.99	6.05	4.67				
Earning Yld %(full)	12.59	12.64	12.53	12.48	12.61	11.24				
P/E Ratio(Net)(☆)	9.63	9.58	9.67	9.71	9.61	10.76				
SEAQ Bargns 4.45pm	17,835	18,087	18,229	19,444	17,624	29,325				
Equity Turnover(£m)†	-	695.09	763.96	701.47	540.58	884.26				
Equity Bargains†	-	16,899	16,160	17,197	16,153	28,491				
Shares Traded (ml)†	-	343.2	320.0	324.1	271.8	382.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 9.48.

Ordinary Share Index, Hourly changes — Day's High 1588.8 — Day's Low 1573.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1573.9	1577.8	1575.7	1578.8	1588.8	1583.0	1582.8	1582.8	1584.3

FT-SE, Hourly changes — Day's High 2050.8 — Day's Low 2033.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2035.2	2038.3	2034.0	2036.9	2050.8	2041.8	2041.8	2041.6	2042.5

FT-SE Eurotrack 100, hourly changes — Day's High 956.16 — Day's Low 947.57

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
949.24	946.56	950.10	950.23	949.38	954.23	955.42

GILT EDGED ACTIVITY

Indices*	Nov 8	Nov 7
Gilt Edged Bargains	138.7	114.0
5 – Day average	124.5	120.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	2,200	102		Cookson	395	90		MEPC	825	485	+11	Smith & Nephew	22,000	105½	-3
ASDA Group	3,200	123	+1	Courtaulds	688	316	+10	Manpower	176	47		SmKl Beecham	7,700	595	-4
Abbey National	2,130	203	+2	Dalgety	346	334		Marks & Spencer	3,000	233	-1	SmKl Beecham Uts.	1,700	2428	-15
Allied-Lyons	585	403		Dixons	519	139		Maxwell Comms.	568	148	-1	Smiths Inds.	303	204	
Amstrad	152	58		ECC Group	1,900	290	+2	Midland Bank	854	188		South West Water	204	234	-1
Anglian Water	357	225	+1	Enterprise Oil	621	623		NatWest Bank	3,300	257	+2	Southern Water	81	200	
Argos	444	246		FKI	328	46		Next	1,000	27	-1	Standard Chartd.	583	251	+2
Argyll Group	2,000	232	-3	Ferranti	170	17	+½	North West Water	353	225	-1	Storehouse	2,200	125	+2
Ass. Brit. Foods	88	392		Fisons	2,400	357	+3	Northern Foods	1,600	340	-1	Sun Alliance	933	304	+3
BAA	1,130	364	+5	Gen Accident	938	442		Northumbrian Water	0	228	-1	Sun Life	18	1003	
BAT Inds.	1,130	556	+7	General Elect.	4,700	178		Pearson	238	622	+7	T&N	483	152	+2
BET	951	181	+3	Glaxo	2,000	761	-2	P & O	463	489	+6	TI Group	457	385	+1
BICC	1,000	325	+4	Glynwed Int.	286	189	+3	Pilkington	843	161	+2	TSB	1,100	128	-1
BOC	822	470	-1	Granada	433	164	+3	Prudential	1,900	200	+3	Tarmac	539	238	
BPB Inds	392	182	+1	Grand Met.	3,200	551	-9	RHM	246	267	+2	Tate & Lyle	745	254	
BTR	3,700	297	+2	GUS A	366	1064	-5	RMC	322	589	+1	Taylor Woodrow	1,900	214	-4
Bank of Scotland	1,600	104	+1	GRE	3,500	183	+6	RTZ	846	415	+9	Tesco	1,900	218	-3
Barclays	1,400	346		GKN	335	298	+8	Racal	4,000	166	+4	Thames Water	652	238	
Bass	645	981	-18	Guinness	1,800	713	+4	Racal Telecom	17	254	+3	Thorn EMI	1,600	603	+8
Beazer	4	96		Hammerson 'A'	110	583	+4	Rank Org	696	583	+6	Trafalgar House	598	168	-5
Beresford Intl	37	39		Hanson	14,100	179½	-6½	Reckitt & Colman	146	1211		Trusthouse Forte	3,000	252	+1
Blue Circle	218	202	+2	Hanson Warrants	1,700	22	-3	Redland	562	503	+3	Ultramar	174	328	+4
Boots	359	324	+2	Harrisons Crosfield	430	128	+3	Reed Intl	1,300	358	+5	Unigate	766	285	-1
Brit Aerospace	983	544	+5	Hawker Sidd.	398	399	+9	Reuters	462	595	+7	Unilever	2,800	612	-10
British Airways	900	140	+1	Hillsdown	1,100	251	+7	Rolls Royce	8,700	152	+2	United Biscuits	2,300	308	-6
British Gas	2,500	218½	+1½	IMI	88	192		Rothmans	128	675		Utd. Newspapers	18	293	
British Land	1,500	283	+7	ICI	1,100	842	+7	Ryl Bk Scotland	2,700	151½	+2½	Water Package Uts.	2	12233	+3
BP	3,600	337	+3	Inchcape	1,600	220	+6	Royal Insurance	798	360	-1	Wellcome	3,400	453	-6
British Steel	11,000	120½	-½	Kingfisher	1,100	370	-5	STC	3,800	314½	+2	Welsh Water	55	239	-1
British Telecom	2,800	257½	+½	Ladbroke	1,500	265	+4	Saatchi	34	37	-1	Wessex Water	69	224	
Bunzl	746	57		Land Securities	1,700	521	+4	Sainsbury	2,300	298	-3	Whitbread 'A'	1,000	427	+3
Burmah Castrol	245	452	+8	Laporte	24	492	+4	Scottish & New	747	361	+1	Wiggins Teape	1,000	158	+½
Burton	2,500	74	+3	Legal & General	428	355	+2	Sears	4,100	82		Williams Hldgs.	130	207	+2
Cable & Wire	1,500	431	+7	Lloyds Abbey	509	319	+3	Sedgwick	1,300	209	-1	Willis Corroon	1,900	237	+5
Cadburys	2,100	303	+2	Lloyds Bank	1,000	270	+5	Severn Trent Water	1,200	201	+1	Wimpey	128	201	+2
Calor Group	87	213		LASMO	308	428	+3	Shell Transport	2,400	445	+1	Yorkshire Water	40	230	-1
Carlton Comms	449	319	-3	Lonrho	1,300	182	-2	Siebe	120	269	+3				
Coats Viyella	617	110		Lucas	987	118	+1	Slough Ests	344	226	+4				
Comm. Union	518	452		MB Group	918	148	+2	Smith (W.H.) A	478	385	+1				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Unilever hurt by US trend

Worries of a slowdown in US consumer spending depressed UK stocks with a strong North American connection after Unilever reported lower-than-expected third-quarter profits. American profits fell by 36 per cent on the same period last year. The news led to declines in GrandMet, Bass and United Biscuits, all of which are exposed to the US.

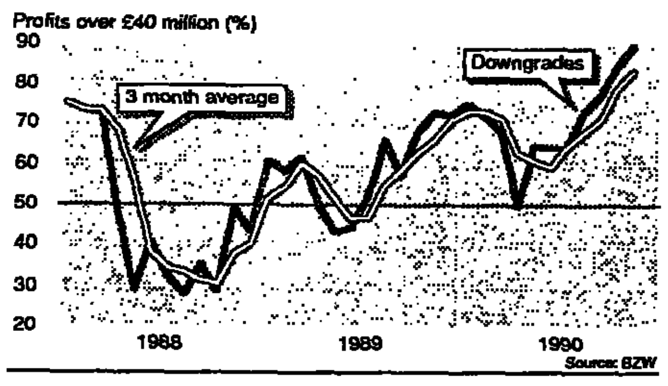
However, Unilever's shares took the sharpest fall after it announced third-quarter profits of £488m, compared with analysts' forecasts of £500m-£520m and £452m last time. The immediate reaction was to mark Unilever lower, and the shares fell 29 to a low of 593p.

However, once exceptional items were stripped out, profits were not far off the lower market estimates. "After we had looked at the details, the report wasn't that bad. Underlying profits growth of 9 per cent in the current conditions is good going," said Mr Tim Potter of Smith New Court.

Full-year estimates were lowered by around £20m to £1.82bn, and next year by £30m to £1.95bn. Unilever finished 10 lower at 612p. United Biscuits was off 6 at 309p, GrandMet was down 9 at 551p and Bass finished 18 down at 981p.

Dismal UK beer production figures, combined with concern over the current trading environment for international hotels, also unsettled Bass.

Downgrades as % of forecast changes



A significant bearish factor recently has been the increase in downgrades of 1990 corporate profit forecasts by brokerage firms. BZW believes that 1991 forecasts may be about to suffer similar treatment. Downgrades for the current year still make up around 90 per cent of its own changes in forecasts, but the flow is abating. BZW fears that share earnings could fall by 5 per cent next year and that other brokerage analysts, many of whom still expect a profits recovery, may soon start to rethink their 1991 estimates.

Hanson's turn

There was a sharp fall in Hanson shares, finally down 6 at 180p, after S. G. Warburg downgraded its 1991 profit forecast for the UK conglomerate, and then sold off Hanson stock. Analysts said Warburg's sales accounted for a hefty chunk of the 14m volume that passed through the market, although there was two-way business.

Warburg dropped its profit forecast for Hanson to £1,365m from £1,420m, on the back of the underlying weakness in Hanson's UK and US markets. James Capel also lowered its expectations to £1,360m. Other analysts had painted a drearier picture earlier in the week. Barclays de Zoete Wedd's forecast was dropped to £1,280m and Smith New Court's to £1,330m, without moving the market substantially.

Some analysts said the latest downgrades had provided the "critical mass" for a change in sentiment. "As in the case of BTR, the feeling is that despite the high quality of the management team, it is over-optimistic to believe that earnings are not going to suffer," said Mr Bruce Davidson of Smith New Court. Another analyst said that other conglomerates such as BTR had been undergoing a period of weakness and it was "Hanson's turn: It cannot buck the trend."

Hefty volume of 22m Smith and Nephew shares was accompanied by a price decline of just 3. A cross-trade of 10m shares accounted for nearly half the volume traded. The rest was said to have consisted of healthy two-way dealing in anticipation of analysts downgrading their profit forecasts. James Capel sees little change in the company's performance this year, but has revised its profit forecast for next year to £150m from £163m, because of the strength of the pound.

Among internationally traded stocks, pharmaceuticals underperformed the rest of the market. SmithKline Beecham lost a further 4 as substantial selling of ADRs in the US market followed through into London trading yesterday. The shares fell points 30 on Thursday, when generally improved figures from SmithKline showed a slight slowdown for the third quarter.

Thorn EMI gained another 8 to end at 603p, in volume of 1.6m shares, as the market continues to look for a deal between Thorn and Polygram, which is largely owned by Philips. Thorn's interim results on Wednesday are expected to provide further food for thought. Meanwhile, TVS pushed ahead 19p to close at 188p on continued bid speculation.

Many building-material groups succumbed to an Albert E Sharp (AES) reassessment of prospects. The leading Midlands agency broker reached the conclusion that expectations for next year were often unrealistically high. It was particularly cautious about companies with heavy exposure to Europe and these suffered the more marked profits revisions.

Steetley and Hepworth felt the brunt of the changed forecasts and both fell sharply. Speculation that another investment house had also lowered its sights could not be confirmed.

Both stocks are Beta-rated. For such issues, turnover is not published until the next trading day, but dealers spoke of above-average business. Steetley closed 12 down at 323p while Hepworth ended 12 lower at 254p.

Alpha stocks soon to report trading statements caught the eye of investors, and Courtaulds, due to reveal interim figures on November 21, advanced 10 to 316p. BAA, the airports operator, another beneficiary ahead of first-half results scheduled for November 22, recovered 5 to 364p.

Burmah Castrol was an active buyer of Foseco, taking up 2.7m shares at the bid price of 275p a share and taking its stake up to 14.6 per cent of the equity. About one half of yesterday's purchases by Burmah reflected the sale of a single large institutional stake in Foseco.

GKN began to pull away from the year's low point and closed 8 up at 298p. A trader said that recent selling seemed to have abated and the shares were now beginning to find support. The good long-term value of Hawker Siddeley was also being recognised by investors, he continued, as Hawker rose 9 to 399p.

Lucas Industries, which next week will host a cross-Channel visit of investment analysts to its aerospace and automotive facilities in France, hardened to 118.

A moderate offering of British Aerospace stock found ready takers and the price moved up 5 to 544p. Airbus Industrie said late yesterday that Malaysia Airlines had converted two of its eight options for A330 wide-body aircraft into firm orders.

Speculation that Kingfisher was set to bid for Storehouse depressed the former by 5 to 370p and boosted the latter 2 to 125p. Analysts were sceptical of the report, although some believed Kingfisher may bid for a different stores group.

Property stocks were lifted after S. G. Warburg changed its investment stance on the leading property investment companies to neutral from underweight. The reduction in interest rates and the prospect of more to come would allow the sector to end its two-year run of underperforming the rest of the market. However, Warburg remained cautious, saying that property shares would not outperform the overall market. British Land was up 7 at 283p, MEPC gained 11 to 485p, and Land Securities added 4 to 521p. Rosehaugh, due to report soon, rose 15 to 99p.

The market's conviction that the next FT-SE index constituent rests between overseas trader Inchcape and Willis Corroon, the insurance broker, put both stocks higher. Inchcape rose 6 more to 220p and Willis put on 5 to 237p.

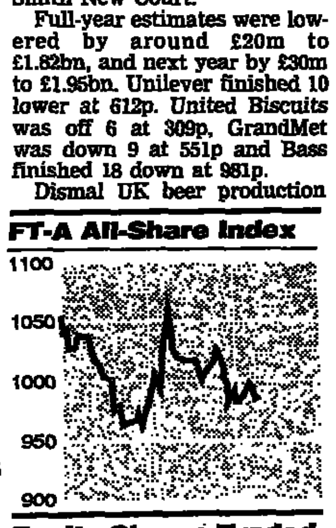
Fresh reports of falling European car sales weighed heavily on Avon Rubber. The resulting weakness in the shares revived worries about next month's annual results, which the market believes will to be bad, and the close was 12 down at 246p.

Logitek tumbled 20 to 56p before its share listing was suspended pending an announcement.

YRM was another to dip but the shares rallied after an official statement from the company. The recent downward movement in the share price had been noted, it said, and was not justified by current trading conditions which, although difficult, left the company "still significantly profitable". The price fell to 35p before closing 4 off at 40p.

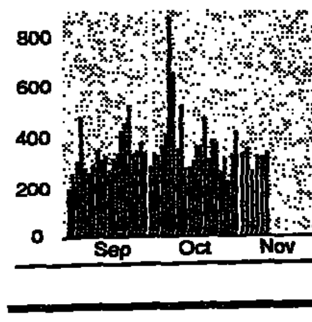
■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 9.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (11).
BRITISH FUNDS (6) BUILDINGS (1) ELECTRICALS (1) FOODS (1) PAPERS (1) TRUSTS (1).
NEW LOWS (137).
AMERICANS (2) CANADIANS (7) BANKS (5) BREWERS (2) BUILDINGS (3) CHEMICALS (4) STORES (5) ELECTRICALS (16) ENGINEERING (9) FOODS (3) HOTELS (1) INDUSTRIALS (33) Abbeycrest, Alexandra Workwear, Alfa-Laval B, American Business Systems, Avon Rubber, Barry Wehmiller, Bridon, British Fittings, Brompton, Cape Inds. 8.4pc Cm. Rd. Prf., Celestion, Christies Intl., Clearmark, Computer People, Cosalt, Darby, Davies (D.Y.), Dinkie Heel, Eurocopy, Flexello (C. & W.), Gieves, Grampian, Hanson, Do Warrants, Hartons 7pc Prf., Huntingdon Intl., Lionheart, Norfolk House, Quotient, TLS Range, WSP, Whitecroft, YRM. INSURANCE (2) LEISURE (3) MOTORS (4) PAPERS (4) PROPERTY (2) TEXTILES (2) TRANSPORT (4) TRUSTS (13) OILS (4) OVERSEAS TRADERS (2) MINES (5) THIRD MARKET (2).

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	58	12	16	229	129	72
Corps. Dom. & Foreign Bonds	2	3	16	10	19	76
Industrials	285	325	936	1,405	1,756	4,576
Financial and Props	152	124	465	694	717	2,302
Oils	25	19	47	96	132	227
Plantations	0	1	9	3	3	44
Mines	22	31	99	149	175	440
Others	51	49	100	261	318	432
Totals	595	564	1,688	2,847	3,249	8,169

LEADERS AND LAGGARDS

Percentage changes since December 29 1989 based on Thursday November 8 1990

Stores	- 1.15	Financial Group	- 22.38
Water	- 1.45	Textiles	- 22.86
Food Retailing	- 4.13	*Transport*	- 23.98
Brewers and Distillers	- 4.64	Investment Trusts	- 24.28
Oil & Gas	- 7.88	Property	- 24.79
Consumer Group	- 12.19	Conglomerates	- 24.85
Health & Household Products	- 12.68	Insurance (Brokers)	- 25.01
Packaging and Paper	- 14.44	Publishing & Printing	- 25.62
Insurance (Life)	- 14.87	Insurance (Composite)	- 25.78
Food Manufacturing	- 16.83	*Capital Goods*	- 26.51
500 Share Index	- 17.24	Contracting, Construction	- 28.07
Telephone Networks	- 17.26	Merchant Banks	- 29.08
Metals and Metal Forming	- 17.28	Engineering-General	- 29.13
All-Share Index	- 18.36	Leisure	- 29.89
Industrial Group	- 18.79	Motors	- 31.00
Building Materials	- 19.28	Electricals	- 33.21
Electronics	- 19.34	*Overseas Traders*	- 34.51
Chemicals	- 20.00	Other Industrial Materials	- 36.01
Engineering-Aerospace	- 20.33	Agencies	- 41.93
Banks	- 20.46	Gold Mines Index	- 48.26
Other Groups	- 22.00		

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-06	-02/32	11.52	11.63	11.79
		9.000	03/00	86-20	-04/32	11.36	11.35	11.34
		9.000	10/08	84-11	-08/32	11.01	10.98	10.91
US TREASURY *		8.750	08/00	101-13	+0/32	8.53	8.54	8.85
		8.750	08/20	100-22	+10/32	8.68	8.67	9.00
JAPAN	No 119	4.800	6/99	84.1996	0.138	7.88	7.74	8.17
	No 129	6.400	03/00	93.7449	0.157	7.54	7.43	7.63
GERMANY		9.000	10/00	99.5300	0.010	9.07	8.96	9.04
FRANCE	BTAN	9.000	11/95	95.3281	-0.039	10.24	10.16	10.32
	OAT	8.500	03/00	89.0800	-0.090	10.35	10.24	10.50
CANADA *		10.500	03/01	98.5000	0.450	10.74	10.89	11.40
NETHERLANDS		9.250	11/00	100.2000	0.040	9.22	9.15	9.08
AUSTRALIA		13.000	07/00	100.8799	-0.330	12.83	13.26	13.54

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Soaring stocks hit aluminium price

THE RECENT unprecedented influx of aluminium into London Metal Exchange registered warehouses drove prices down sharply this week, but yesterday's lack of price response to the latest stocks rise underlined the bullish view still taken of the metals' fundamentals by most analysts.

Following the 32,200-tonne stocks rise announced by the exchange last Friday, further evidence of an unexpected easing in short-term supply tightness pushed the cash LME price down by $130 a tonne on Monday. And with Tuesday's stocks report revealing a further increase of 40,975 tonnes the price crashed another $144 to $1,603 a tonne. It seems, however, that those falls had used up most of aluminium's downside potential. After the announcement yesterday of a further stocks rise of 35,500 tonnes, taking the total to a record 282,175 tonnes, the cash aluminium price closed at $1,592.50 a tonne, up $2.50 on the day and down $285 on the week.

Yesterday's stocks rise came as no surprise; indeed, further heavy deliveries are expected as Japanese traders cover their short positions in the market, often with metal of higher quality than required to meet LME standards. The single big operator believed to be taking up most of this metal is likely to release it back to the market at a premium, traders say.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+35,500	to 282,175
Copper	-750	to 179,675
Lead	+650	to 45,600
Nickel	+402	to 2,994
Zinc	-1,675	to 61,500
Tin	-40	to 11,145

In view of this analysts remain unsure about the significance of recent stock movements. In London broker Ord Minnett's latest metal market report, analyst Nick Moore wonders if the build-up "is telling us that world demand is indeed terrible," or is, "all part of a cunning plan."

"There is no escaping the fact that stocks are uncomfortably high," he says. But "it remains to be seen if they will be eroded as quickly as they appeared."

"When all is said and done we remain relatively confident regarding the outlook for aluminium."

Earlier Robin Bhar, analyst at Carr Kitcat & Aitken, said all the evidence suggested that stocks had simply been relocated from one part of the industry to another – from consumers and producers to LME warehouses.

He said industry stocks still represented only only about 5¼ weeks of consumption, consumers were living from hand to mouth, and it was unlikely that the aluminium price would fall much further.

At Barclays de Zoete Wedd, analyst Jon Bergtheil agreed that the LME aluminium price had "not too far to fall from here on," although he thought Japanese demand growth might be "on the lazy side" for some time.

Copper prices resumed the downtrend that had been interrupted by last Friday's rally after Zambian mine workers called off their strike. But support was found again just above the $2,530-a-tonne level for three months metal and the cash price, which dipped to £1,312 a tonne on Thursday, closed yesterday at £1,317 a tonne, down £30 on the week.

The zinc market continued to decline early in the week, encouraged by a further modest rise in LME stocks. But after cash metal had touched a 9-month low on Tuesday sentiment was steadied by news that workers at Hudson Bay Mining and Smelting's Manitoba copper-zinc-nickel operation had rejected the company's labour contract offer. Surprise news yesterday of a 1,675-tonne fall in exchange warehouse stocks helped to lift the cash price by $26.50 to $1,293.50 a tonne, up 50 cents on the week.

At the London bullion market growing tension over the Middle East crisis resulted in a firmer gold price but a fall for platinum. Gold ended $9 up on the week at $385 a troy ounce while platinum declined by $9.50 to $425 a troy ounce.

On the world sugar market early falls were recouped and the London daily raws price ended the week only $1.80 down at $259.40 a tonne.

In reports published this week two leading London brokers agreed that the market was likely to be broadly in balance the 1990-91 season. E.D. & F. Man suggested that the season's surplus would be about 1m tonnes, less than 1 per cent of world consumption, while C. Czarnikow put the surplus figure at 260,000 tonnes. But Czarnikow noted that "when our 0.6m tonne allowance for disappearance is factored in, it takes the situation marginally into deficit."

And it cautioned that: "With the variations which are still possible in a number of crops before they are completed, the supply balance could move in either direction over the next few months."

Richard Mooney

APPOINTMENTS

Managing director at Jones & Shipman

■ Mr John Wareing will become managing director of JONES & SHIPMAN on December 1 on the retirement of Mr Ron Bull.

Mr Wareing has previous experience in the machine tool industry as managing director, TI Machine Tools for three years before becoming managing director, with responsibilities for Europe, of the advanced materials division of BP Chemicals.

■ Mr Anthony Sheppeck, 50, was yesterday appointed by the Government to take over as board member for finance at London Transport from November 12, *writes Richard Tomkins*.

Mr Sheppeck, who was previously group finance director at Kent Holdings, the quoted water company, replaces Mr Michael Marsh, who ceased full-time duties at the beginning of the month.

He steps in at a time when LT's Underground subsidiary has been plunged into a financial crisis by the discovery of a £40m budget shortfall and the abrupt departure of its finance director.

■ Mr Geoff Prince, deputy managing director of ROYAL INSURANCE (UK), will become managing director on January 1. He will succeed Mr Peter Duerden who is retiring on December 31.

■ Mr Derek Allan has been appointed an assistant general manager within the BANK OF SCOTLAND's UK banking department in Threadneedle Street, London.

■ Coventry-based APPLIED CHEMICALS has appointed Mr Ron Smith as its new managing director.

He joins from Ecolab where he was managing director of its UK subsidiary. Mr Allan Williams has become financial director. He was previously group financial director at Yule Catto Consumer Chemicals.

■ ASK COMPUTER SYSTEMS (UK), Milton Keynes, has appointed Mr Richard Shaw as sales director for its UK operations. He was European marketing manager for financial services at Hewlett Packard.

■ Mr Angus MacLennan, deputy general manager with responsibility for corporate banking and credit with Den Danske, London, has become a director of DAVID CARRICK.

■ Mr Michael Menzies has been appointed a director of MACEY WILLIAMS INSURANCE SERVICES with particular responsibility for the technical services department. Mr Brian Roberts becomes an assistant director.

■ Mr George Palmer has been appointed a director of WOODSIDE COMMUNICATIONS. He was previously director of Far East research for Prudential-Bache Securities in Tokyo.

■ At ABBEY LIFE Mr Peter Baxter has been appointed assistant executive director, marketing. He was previously product marketing manager.

■ Mr Andrew C.W. Robertson has been appointed a director of THAMES WATER ENTERPRISES, a wholly-owned subsidiary of Thames Water. He has held a number of posts with PWT Worldwide (formerly Portals Water Treatment).

■ Mr Leigh K. Greenham has been appointed development director of gas detection specialists CROWCON INSTRUMENTS, a subsidiary of Halma.

■ Mr Richard Morgan has joined the SCHOLES GROUP as a non-executive director. Until recently, he was group financial director of BICC.

■ Mr Jeremy Coates *(pictured)* is the new group finance director for BRS, a part of the NFC Group. He comes to BRS from sister NFC company, Hyperion Properties, where he was director of finance and administration.

■ MORGAN GRENFELL has appointed Mr Ron Morton sales and marketing director of Custom Leasing, a subsidiary of Morgan Grenfell & Co. Mr Morton is a former director of Continental Bank and joint chief executive of Lease Continental, the vendor finance partnership with Pitney Bowes Finance.

■ ASSOCIATED BRITISH PORTS has appointed Mr Denis Yell as director of engineering. He replaces Mr John Holleywood who is retiring. Mr Yell became a director of Mowlem International in 1986.

■ SANOFI UK has made Mr Bernard Gunther managing director of its beauty division, Sanofi Beauté. He was previously with Rochas Perfumes.

■ Four senior management appointments have been made at ICI CHEMICALS & POLYMERS. Mr Tony Foster, general manager-general chemicals, has been appointed a director of ICI Chemicals & Polymers. Mr David Wilbraham, a vice president of the ICI Specialty Chemicals, has been appointed general manager-chemical products. Mr Philip Felcey, general manager-acrylics, has been made general manager-commercial. Mr David White, general manager-plastics, has become general manager-acrylics.

■ RICHARDS, LONGSTAFF (INSURANCE) has made the following appointments to its divisional boards: Mr Olivier Patterson (agency), Mr Roger Bramble (estates and private), Mr Philip Everington (commercial) and Mr David Bryant (marine).

■ Dr N.B. Smith, previously a non-executive director of LISTER & CO, has been appointed its deputy chairman.

■ Mr Paul Brownrigg-Gleeson has been elected to the board of directors of CAL FUTURES and CAL INVESTMENTS as director of marketing.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	38.71	38.71	41.40	-0.06	6.62
Gilts & Fixed Int.	6	106.5	106.5	112.90	-0.2	10.19
High Inc Equity	6	112.2	115.5xd	122.8	-0.4	5.17
Worldwide Bond	6	186.2	186.2xd	197.4	-0.2	7.60
Capital Growth						
American Growth	6	140.90	143.9	153.9	-0.2	1.25
Asian Pacific	6	93.44	93.44	99.93	+0.02	0.12
Assets & Earnings	6	137.1	137.1xd	146.6	-0.7	3.20
Capital Reserve Acc	0	98.84	98.84	98.88	...	7.22
Capital Reserve Inc	0	83.07	83.07	83.11	...	7.22
Comdty & Energy	6	73.64	73.64	78.75	-0.37	1.30
1992 Enterprise	6	52.67	52.67	56.33	...	3.46
Euro Capital Acc	6	82.02	82.02	87.72	+0.11	1.13
Euro Capital Inc	6	78.75	78.75	84.22	+0.10	1.13
General	6	144.0	144.0xd	154.0	-0.4	3.25
Japan	6	83.17	83.17xd	88.95	-0.72	0.00
Mastertrust	6	74.01	74.01	79.15	+0.22	2.14
UK Growth Acc	6	134.9	134.9xd	144.2	-1.3	2.85
UK Growth Dist	6	87.20	87.20xd	93.26	-0.88	2.85
US Emerging Cos	6	38.53	38.53xd	41.20	-0.02	0.00
Income & Growth	6	247.5	247.5xd	264.7	-0.3	3.87
Ethical	6	39.89	40.98	43.59	-0.22	2.29
International	6	49.76	50.44	53.65	-0.13	0.93
Dividend & Growth	6	39.70	40.77	43.37	-0.04	5.19
Global Gth & Sec	6	46.41	46.69	49.60	-0.12	2.01

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	24.18	24.18xd	25.66	-0.03	3.07
Cash	-	50.00	50.00	50.00	...	14.00
European	5¼	67.58	67.58	71.77	-0.40	0.00
European Income	5¼	70.33	70.33	74.52	-0.25	1.66
Exempt	1	658.2	658.2xd	676.7	+2.8	3.45
Exempt Income	3¼	154.5	154.5	163.1	+1.5	5.20
Exempt American	3¼	288.7	288.7xd	300.3	-1.6	1.88
Exempt Pacific	3¼	183.9	183.9	191.5	-0.5	0.00
Extra Income	5¼	34.69	34.89	37.24	+0.17	6.67
Far East Emerg Cos	5¼	38.68	38.80	41.55	-0.04	0.00
Fund Inv Tst	5	97.87	97.87xd	104.4	+0.09	1.66
Fund Inv Tst Acc	5	154.6	154.6xd	165.0	+0.2	1.74
Gilt & Fixed Int.	5¼	15.61	15.76	16.82	+0.03	11.82
Japan	5¼	137.4	138.4	146.0	-2.0	0.00
Pacific	5¼	27.64	27.64	29.60	+0.24	0.00
Smaller Companies	5¼	36.04	36.04	38.47	-0.10	2.52
Special Situations	5¼	49.26	49.26xd	52.59	+0.34	0.76
UK Growth	5¼	30.13	30.56xd	32.62	+0.13	1.89
World Growth	5¼	40.97	40.97xd	43.61	-0.02	0.00

Acorn Unit Trust Managers Ltd (1100)F
1 White Hart Yd, London Bridge SE1 1NX 071-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Ethical Tst	5	85.47	85.47	93.14	+0.20	0.00
Ethical Tst Acc	5	87.15	87.15	94.77	+0.21	0.00

Acuma Fund Managers Ltd (1000)F
PO Box 281, Beckenham Kent BR3 4UD 081-663 3003

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Equity Income	6¼	47.06	48.03	51.09	+0.06	7.10

Brown Shipley & Co Ltd – Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Growth	6	22.20	22.20xd	23.64	-0.12	0.29
Monthly Income	6	45.34	45.34	49.31	-0.09	5.07
North American	6	47.91	47.91	51.02	-0.36	0.43
Orient	6	88.08	88.08	93.81	-0.82	-
Recovery	6	33.60	33.60	35.78	-0.06	1.73
Smaller Cos Acc	6	173.4	173.4xd	186.4	-0.80	-
Smaller Cos Inc	6	104.8	104.8xd	112.7	-0.40	3.18

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	157.9	157.9xd	164.0	...	7.2

Buckmaster Mangmt Co Ltd (1200)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5¼	43.44	43.44	46.05	-0.09	5.10
(Accum Units)	5¼	45.60	45.60	48.34	-0.09	5.10
Fellowship Tst ♥	5¼	48.39	49.11	52.25	-0.33	4.43
(Accum Units) ♥	5¼	51.40	52.14	55.50	-0.35	4.43
General Inc	5¼	234.7	234.7	248.8	+0.4	4.60
(Accum Units)	5¼	408.6	408.6	433.1	+0.7	4.60
Income	5¼	132.4	132.4	140.3	+0.7	5.63
(Accum Units)	5¼	274.8	274.8	291.3	+1.6	5.63
International ♥	5¼	83.22	83.22	88.21	+0.14	0.62
(Accum Units) ♥	5¼	115.0	115.0	121.9	+0.2	0.62
Smaller Co's	5¼	79.74	79.74	84.52	-0.07	3.16
(Accum Units)	5¼	89.34	89.34	94.70	-0.09	3.16
Inv Portfolio ♥	3	43.09	43.09	44.60	-0.02	3.80
(Accum Units) ♥	3	45.80	45.80	47.40	-0.01	3.80
High Income Port ♥	3	39.22	39.22	40.59	+0.02	6.15

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Short Dated Gilt	1¼	59.77	59.77	60.63	...	12.75

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CCF Sel High Inc Eqty	5½	40.97	41.77	44.44	+0.08	6.37
CCF Sel High Inc Eq Acc	5½	41.89	42.71	45.44	+0.09	6.37
CCF Sel Intl Gwth	5½	36.97	36.97xd	39.97	-0.71	0.00
CCF Sel Inv Tst	5½	41.27	42.93	45.68	-0.08	2.62
CCF Sel Inv Tst Acc	5½	41.81	43.50	46.27	-0.08	2.62
CCF Sel UK Sm Co's	5½	40.23	41.57	44.23	-0.08	2.34
CCF Sel UK Smllr Cos Acc	5½	40.53	41.89	44.56	-0.08	2.34

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 081-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	45.94	47.07	50.07	+0.26	2.86
Global Tst	5½	35.77	36.16	38.47	+0.05	0.35
Recovery Tst	5½	41.37	42.49	45.20	+0.20	1.92

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 071 234 6000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	108.3	109.6	115.6	+0.60	4.94

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH 061 837 5060

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Environ	6	79.01	81.15	86.34	-0.56	3.20
UK Growth	6	90.33	92.41	97.88	-0.43	3.38
UK Income	6	88.53	90.56xd	96.33	-0.07	6.89

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 071-242 1148

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America F.	5	43.51	43.51	46.28	-0.02	0.82
CS International F.	5	44.22	44.22xd	47.04	-0.14	2.06
CS Japan F	5	113.1	113.1	119.8	-0.9	0.89
CS Portfolio Inv F	5	54.87	54.87	58.37	-0.08	3.46

Canada Life Unit Tst Mgrs Ltd (1200)F
High St, Potters Bar, Herts. EN6 5BA 0707 51122

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	6	123.2	125.7	133.3	+0.6	3.47
Do Gen Accum	6	213.6	218.1	231.1	+1.0	3.47

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd Aylesbury Bucks
Admin. 0296 394000 Dealing 0296 312156

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	55.92	55.92	59.78	+0.01	1.29
Australia	5	5.292	5.292	5.664	-0.05	4.71
Equity	5	136.7	136.7	146.8	+0.3	5.24
Euro Spec Sits	5	95.65	95.65	103.0	+0.2	0.67
Financial	5	24.02	24.02	25.86	+0.11	5.77
Global Opps Inc	5	55.61	55.61	59.76	-0.37	0.00
Global Opps Acc	5	56.81	56.81	61.06	-0.38	0.00
Gold & Gen Inc	5	34.68	34.68	37.30	-0.31	1.07
Gold & Gen Acc	5	64.83	64.83	69.74	-0.58	1.07
Income	5	85.43	85.43	91.90	+0.40	6.96
Japan & General	5	106.8	106.8	114.9	-0.8	0.00
Preference Share	5	17.29	17.29	18.59	-0.32	14.27
UK Capital	5	74.97	74.97	80.57	+0.26	4.34
World Income	5	51.56	51.56	55.40	-0.21	6.38
Worldwide Capital	5	141.8	141.8	152.6	+0.3	3.58

Templeton Unit Trust Managers Ltd (1200)F
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Growth Acc	6	88.43	89.10	95.30	-0.36	3.83
Global Growth Inc	6	84.96	85.61	91.56	-0.35	3.83
Global Balanced Acc	6	89.62	90.04	96.30	-0.26	5.04
Global Balanced Inc	6	83.49	83.88	89.71	-0.25	5.04
Value Tst Acc	6½	65.71	66.74	71.38	+0.2	4.85
Value Tst Inc	6½	64.10	65.08	69.60	+0.2	4.85
Intl Pen & Ch Ues Inc ♥	2	84.90	85.45	89.71		4.07
Intl Pen & Ch Ues Acc ♥	2	81.93	82.45	86.57		4.07

Thornhill Unit Trust Managers Ltd (1200)F
28 St John's Sq, London EC1M 4AE 071-251 6767

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capital	5	44.68	45.01	47.88		-
Overseas	5	39.17	39.31	41.81		-

Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq, London W1M 0DH 071-493 7262
Dealing 071-493 8545

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	39.22	39.22	41.83	-0.16	0.27
(Accum Units)	5	40.37	40.37	43.05	-0.16	0.27
Cash	0	50.93	50.93	50.93		14.00
Accum Units	0	50.93	50.93	50.93		14.00
European Opps ♣	5	56.15	56.15	59.78	-0.27	0.00
(Accum Units) ♣	5	56.46	56.46	60.11	-0.27	0.00
Far Eastern Opps	5	95.87	95.87	102.12	-0.89	0.00
(Accum Units)	5	96.48	96.48	102.77	-0.90	0.00
Golden Opps	5	25.56	25.56	27.12	-0.02	0.90
(Accum Units)	5	26.29	26.29	27.89	-0.02	0.90
Intl Hi-Yield	5	47.03	47.03	[illegible]		

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Nov 7	36.8	38.7		2.84
Euro Expt Nov 7	47.5	49.8		2.58
Fixed Int Ex Nov 7	44.0	45.1		10.56
Japan Expt Nov 7	40.5	42.1		0.89
Managed Ex Nov 8	37.2	38.6xd		5.57
SE Asia Expt Nov 7	53.8	56.4xd		4.83
Sm Cos Expt Nov 7	28.3	29.7xd		5.14
UK Eqty Ex Nov 7	35.7	37.4		5.39

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Nov 6	589.8	632.3xd		5.89
Do Accum	656.0	703.2		5.89
Int Expt Nov 7	140.7	142.8xd		3.80
UK Index Nov 6	960.6	982.0		6.06
Do Accum	1016	1037		6.06
Convertible Nov 2	76.45	79.05xd		10.19
World ex UK Index Nov 5	645.5	654.0		2.28
Do Accum	645.5	654.0		2.28
Japan Index Nov 5	540.8	548.4		0.53
Do Accum	541.8	549.3		0.53
USA Index Nov 5	722.9	727.4		3.85
Do Accum	733.1	737.5		3.85
Europe ex UK Index Nov 5	787.0	806.4		3.00
Do Accum	799.2	818.8		3.00
Pacific ex Jap Index Nov 5	706.5	727.3		5.51
Do Accum	719.8	740.9		5.51
Managed Europe Nov 11	87.72	89.32		5.58
American Exempt Nov 7	94.41	95.97		4.65
European Exempt Nov 7	99.09	100.4		4.43
Japan Exempt Nov 7	102.7	103.9		0.84
Pacific Basin Nov 7	95.09	97.56		4.46

NM Rothschild Asset Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
NC Managed	50.9	54.2xd	-0.1	4.37
NC Property	174.3	191.2		-

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Europe Accum	118.3	119.2xd		4.21

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Saints PPP Oct 12	224.9	236.81		-

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt Nov 1	82.60	86.94xd		4.76
(Accum Units)	84.89	89.35xd		4.76

INSURANCES

American Life Insurance Co UK
2-8 Altyre Road, Croydon 081-680 6000

Avon Insurance Plc
Tiddington Rd, Stratford-upon-Avon CV37 0789 204211

Barclays Life Assur. Co Ltd
252 Romford Road, London E7

Clerical Medical/Fidelity Investments – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Cash	148.2	156.0		-
North American	99.6	104.9	+0.6	-
Far East	167.8	176.7	-1.8	-
International	127.9	134.7	-0.1	-
Special Situations	188.4	198.4	+0.7	-
International Income	180.0	189.5	+0.6	-
American Income	96.1	101.2	+0.2	-
European	205.2	216.0	+0.5	-
South East Asia Fund	147.0	154.8	-0.5	-

Equity & Law
Amersham Road High Wycombe 0494 463463

	Bid Price	Offer Price	+ or -	Yield Gross
Reserve	105.8	111.3		-
Balanced (Mixed)	433.3	456.1	+0.5	-
Opportunity	88.4	93.0		-
UK Equities	581.8	612.4	+2.9	-
Higher Income	593.1	624.3	+4.7	-
Nth America	175.6	184.8	+0.5	-
Far East	307.1	323.2	-1.6	-
Europe	271.0	285.2	-1.6	-
International	303.8	319.7	-0.5	-
Property	444.4	467.7		-

Hearts of Oak Insurance Group
84 Kingsway, London WC2B 6NF 071-404 0393

	Bid Price	Offer Price	+ or -	Yield Gross
HOBS Prop Fund	63.9	66.4		-
HOBS Prop Pens Fund	63.9	66.4		-
HOBS Managed Fund	212.2	225.5		-
HOBS Pens Man Fund	159.6	168.0		-
HOBS Tax Exempt Fund	106.1	112.4		-
HOBS P P Man Fund	106.6	112.2		-
HOBS App Man Fund	52.2	54.9		-
LANMAS Equity Fd	116.9	124.2		-
LANMAS Intl	41.1	43.6		-
LANMAS Deposit	53.3	56.5		-

The Life Association of Scotland
113 Dundas St, Edinburgh EH3 5EB 031-550 5000
LAS Investment Assurance

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	209.5	220.6	-1.3	-
UK Equity	359.3	378.3	-0.7	-
Property	274.2	288.7	+0.2	-
Money Market	202.1	212.8		-
Fixed Interest	224.4	236.3	+0.4	-
Japan	266.4	280.4	-4.5	-
North America	85.2	89.7	+0.4	-
International	162.4	171.0		-
European	160.2	168.6	-1.6	-
Far East	72.8	76.6	-1.4	-

Merchant Investors Assurance Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
MI Gar British Gwth		184.2	+0.5	-
MI Gar Special Sits		105.6		-
MI Gar Smaller Co's		130.5	-0.1	-
MI Gar Australian		57.0	-0.1	-
MI Gar Int Sel Opps		82.7	-0.1	-
MI Gar UK & Int Rec		76.2	-0.9	-
MI Gar Euro Sel Opps		115.0	+0.1	-
MI Gar Am Emer Gwth		84.5	-0.2	-
MI Gar Prac Invmnt		96.9	+0.3	-
MI Gar Extra Income		94.0	+0.4	-
MI Gar Pref Share		79.8	-0.1	-

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	298.3	314.0	+0.6	-
UK Equity	373.4	393.1	+1.6	-
Overseas Eq.	281.1	295.9	+0.2	-
Americas	203.1	213.8	-0.1	-
Far East	294.2	309.7	+2.5	-
Property	191.7	201.8	+0.2	-
Fixed Int.	232.9	245.2	----	-
Indexed Gilt	146.3	154.1	+0.3	-
Deposit	172.0	181.1	----	-
Pension Fund (Accum Units)				
Managed	412.0	433.7	+0.8	-
UK Equity	474.0	499.0	+2.0	-
Overseas Eq.	461.0	485.3	-0.6	-
Americas	269.4	283.6	-0.1	-
Far East	488.4	514.2	-3.1	-
Property	237.8	250.4	+0.3	-
Fixed Int.	282.9	297.8	+0.1	-
Indexed Gilt	160.9	169.4	+0.3	-
Deposit	236.6	249.1	+0.1	-
NPI Pensions Management Ltd				
Managed Fund	928.8	945.4	----	-

Prices Nov 1 Next dealing Dec 3

Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	60.0	63.1	+0.1	-
Stock Market Mngd Fund	56.2	59.1	+0.1	-
Equity Fund	64.1	67.5	+0.3	-
International Fund	49.3	51.9	+0.1	-
European Fund	60.8	64.0	+0.1	-
North American Fund	47.1	49.6	+0.2	-
Pacific Fund	49.5	52.1	-0.2	-
Property Fund	86.6	91.2	----	-
Fixed Interest Fund	52.7	55.5	+0.1	-
Index linked Sec Fund	59.4	62.6	+0.1	-
Deposit Fund	66.0	69.5	----	-
NUAM Retirement Plans				
Mixed Fund	65.3	68.7	+0.3	-
UK Ordinary Share Fd	74.0	77.9	+0.6	-
International Fund	53.8	56.7	+0.1	-
Property Fund	83.9	88.3	----	-
Fixed Interest Fund	63.0	66.3	+0.1	-
Index Linked Sec Fund	62.8	66.1	+0.1	-
Deposit Fund	76.7	80.7	----	-
NUAM (NF)				
Managed Fund	850.9	895.7	+2.2	-

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Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Total Investment Bond				
UK Equity Initial		127.8	+0.1	-
UK Fixed Int Initial		107.5	-0.1	-
Intl Equities Initial		100.8	-0.8	-
UK Managed Initial		103.9	----	-
Property Initial		164.2	-0.1	-
Money Initial		84.3	----	-
Special Market Initial		92.8	-0.1	-
Japan Equity Initial		70.3	-0.7	-
North American Initial		60.8	-0.4	-
Pacific Initial		57.9	-0.3	-
Technology Initial		83.3	+0.4	-
Nat Resources Initial		42.8	-0.2	-
European Initial		80.5	-0.4	-
Residential Prop Init.		93.8	----	-
Swiss Equities Initial		29.8	+0.1	-
Hong Kong Initial		42.4	----	-
UK High Inc Eq Init.		57.8	+0.1	-
Int Fixed Interest Init.		49.5	-0.1	-
Int. Managed Init.		48.7	-0.2	-
HIP Managed Init.		94.5	-0.1	-
HIP Managed II Initial		83.8	-0.2	-
Broker Funds				
High Performance	60.2	63.5	-0.3	-
Towerhill Mngd Fd Acc	32.0	33.7	-0.2	-
YRA Executive Fd.	81.5	85.9	-0.3	-
E Global Growth Acc.	108.6	114.5	-0.9	-
E High Income Money Acc.	132.5	139.7	----	-
IM Balanced		45.7	-0.2	-
H F. Speculator Fd.		113.5	----	-
PEP Acorn II		102.8	-0.4	-
PEP Cautionary		66.9	----	-
AAFS Int Man Fund		106.1	-0.8	-
Andrews-Green Inv Port.		74.4	-0.8	-
Individual Pension Funds				
UK Equity Acc.	201.9	213.0	+0.2	-
UK Fixed Interest Acc.	195.1	205.9	-0.4	-
Intl Equities Acc	187.9	198.3	-1.8	-
UK Managed Acc.	163.3	172.2	-0.1	-
Property Acc.	209.4	220.9	-0.1	-
Money Acc.	150.2	158.5	+0.1	-
Special Market Acc.	186.7	197.0	-0.5	-
Japan Equity Acc.	142.7	150.6	-1.4	-
North American Acc	95.8	101.1	-0.5	-
Pacific Acc	138.5	146.1	-0.6	-
Technology Acc.	134.5	142.0	+0.7	-
Natural Resources Acc.	83.8	88.4	-0.4	-
European Acc	102.0	107.5	-0.6	-

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

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	Bid Price	Offer Price	+ or -	Yield Gross
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	DKr115 6	115 8		-
Fipart-Conseil Fund Mngrs (Guernsey) Ltd				
Hauteville G & B Fd.	SFr7.82	7.901	-	2 06
John Govett Mngmt International Ltd				
Govett High Inc Gilt	£0.3500	0.3728	-0 006	13.14
Govett Far East Inv	$0.876	0.936	-0 005	-
Energy & Resources	$0.669	0 715		-
Hambros Fund Managers (CI) Ltd				
Japanese OTC	99.1643	9 7528	-	-
Havelet Throgmorton Mngmt Ltd				
Intl Inv-Stlg High Inc	£9 974	10.528	+0.023	10 09
Intl Inv-Intl High Inc	$48 988	51.572	+0 133	5.54
Henderson Admin. (Guernsey)				
Balanced Gwth $ Ptflo	$1 789	1.927	-0 033	-
Balanced Gwth £ Ptflo	£1.025	1.101	-0 009	-
Select Mkts $ Ptflo	$1.816	1.963	-0 025	-
Inc & Gwth $ Ptflo	$1.671	1.768	-0 011	-
High Income £ Ptflo	£0 601	0 631		-
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst	62 70	67 05	-0 85	2 99
Kleinwort Benson Intl Fd Mngrs Ltd				
KB Int.Ac Bd Acc*	£8.608	9 066	-0 049	-
KB Japan Fund		$221.62		-
KB Sterling Asset	£29.37	29 37	...	-
*Offer price inclusive of maximum preliminary charge				
Kleinwort Benson Islamic Fd Mgmt Ltd				
Islamic Fund	$5.75	6.15	...	0 52
Lazard Fund Managers (CI) Ltd				
Lazard Cap. Gwth Bond	$2835.67	2996.43	+8 69	8
Lazard Cur Acc Fd £	£18.69	18 70	+0 05	13 6
Lazard Cur Acc Fd US$	$14.64	14 65	+0 02	7 2

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capital House Fund Mgrs – Contd.						
Bonds						
Sterling Bond	5	£1.380	1.380	1.455		-
International Bond	5	$1.825	1.825	1.924		-
Currencies						
£ Sterling	0	£24 72		24 72	+0.01	14.30
US$	0	$18.88		18.88	+0.01	6.53
Japanese Yen	0	Y3 597		3 597	+1 0	6.52
D Marks	0			58 00	+0.01	6 84
Swiss Francs	0			51 00	+0.01	6.34
Fr Francs	0			227 8		8 13
Ecu's	0			27.10	+0 01	8 46
Managed						
Intl Portfolio	5	$1 627	1 638	1 738		-
Managed Currency	5	$2 089	2 089	2.200		-
Gartmore Fund Managers International Ltd						
PO Box 278, 45 La Motte St, Jersey 0534 27535						
Capital Strategy Fund Ltd (a)						
American Fd		$–		1.340		-
Canadian Fd		C$–		0 7661		1 00
British Fund		£–		2 224		3 00
European Fund		DM–		5 176		-
Eastern European		DM–		4 400		-
Asia Pacific Fd		$–		1 871		-
Japan Fund		Y–		588.2	+1 4	-
Australasian Fd		A$–		0 3019		1 00
Global Resources		$–		0 7291		0 70
Emerging Mkts Fd		£–		9637		0 50
Int Growth Fund		$–		2 687		0 20
Sterling Bond Fd		£–		1 010		10.32
ECU Bond Fund		Ecu–		0 9616		9 04
Int Bond Fund		$–		1 262		6.65
Global Conv Bd Fd		$–		17 38	-0 13	2 48
US$ Deposit Fd		$–		1 051		7.09
Sterling Deposit Fd		£–		1 029		13.80
French Franc Dep Fd		FFr–		10 64	...	8 64
Swiss Fr Dep		SFr–		5 267		6.30

Murray Johnstone (Jersey) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Prudential Intl Financial Services Ltd

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Nov. 8	Nov. 7	Nov. 6	Nov. 5	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2443.81	2440.84	2485.15	2502.23	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.34	89.32	89.36	89.23	93.04 (3/1)	88.44 (24/9)	—	—
Transport	827.66	833.03	844.12	850.59	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	209.13	209.07	213.09	214.66	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2468.81 (2490.35) Low 2415.84 (2440.84)

STANDARD AND POOR'S

	Nov. 8	Nov. 7	Nov. 6	Nov. 5	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	307.61	306.01	311.62	314.59	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	359.72	358.15	364.97	368.44	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	20.65	20.37	20.67	20.92	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	168.14	167.47	170.21	171.49	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	289.07	289.74	292.15	291.58	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	336.37	336.80	340.53	340.76	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov. 2	Oct.26	Oct.19	year ago (approx.)
Dow Industrial Div. Yield	4.08	4.17	4.03	3.93
	Nov. 7	**Oct.31**	**Oct.24**	**year ago (approx.)**
S & P Industrial div yield	3.55	3.54	3.42	2.97
S & P Indl. P/E ratio	14.48	14.43	14.86	14.25

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
SmKline Bchm	4,744,900	45¼	- 5⅛
Alcan Aluminium	2,564,300	16⅝	- ⅛
Brown Ferris	2,301,500	22⅞	+ ⅝
Houston Inds	2,298,800	36⅛	+ ⅛
Am T & T	2,022,900	33⅛	- ½
Waste Man	1,876,900	32⅛	+ ⅛
Philip Morris	1,758,100	48	+ ⅛
Citicorp	1,751,400	12⅛	+ ¼
IBM	1,619,200	107½	+ 1
Boeing	1,580,500	44⅛	- ¼

TRADING ACTIVITY

† Volume (Millions)	Nov. 8	Nov. 7	Nov. 6
New York	155.570	150.813	141.130
Amex	9.465	11.096	9.143
NASDAQ	106.908	109.796	110.728
Issues Traded	1,984	2,009	1,971
Rises	828	452	697
Falls	649	1,117	769
Unchanged	507	440	505
New Highs	7	2	7
New Lows	90	81	68

CANADA TORONTO

	Nov. 8	Nov. 7	Nov. 6	Nov. 5	1990 HIGH	1990 LOW
Metals & Minerals	2486.60	2502.63	2543.60	2575.26	3453.05 (4/1)	2486.60 (8/11)
Composite	3060.55	3071.14	3094.67	3095.24	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1621.36	1630.00	1645.50	1651.19	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10, and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

	Nov. 9	Nov. 8	Nov. 7	Nov. 6	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1328.8	1342.3	1335.0	1317.8	1713.7 (12/1)	1291.2 (2/11)
All Mining (1/1/80)	637.2	642.8	643.1	636.3	860.8 (5/1)	627.2 (2/11)
AUSTRIA						
Credit Aktien (30/12/84)	437.42	439.66	448.73	456.73	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5114.82	5134.44	5185.49	5197.85	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	339.22	338.95	340.28	341.30	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	411.0	408.4	409.2	408.7	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	419.81	417.99	426.75	429.56	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1572.83	1569.86	1583.46	1613.49	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	603.48	594.28	598.51	611.44	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1712.0	1684.2	1696.9	1735.4	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1381.49	1369.44	1371.15	1398.24	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2932.92	2932.44	2955.19	2966.71	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1224.51	1241.14	1264.60	1298.33	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	532.97	535.24	539.49	552.03	763.52 (14/6)	532.97 (9/11)
JAPAN						
Nikkei (16/5/49)	22931.80	22969.81	23500.25	23965.75	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1707.44	1721.91	1752.32	1781.62	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3085.23	3136.13	3195.54	3226.86	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	468.05	471.15	475.65	477.30	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	226.1	225.6	227.8	229.6	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1983)	165.9	165.6	167.2	168.5	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	709.10	712.84	712.40	711.05	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	595.01	596.35	608.37	612.49	1160.70 (21/3)	514.88 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	305.32	306.62	310.18	313.18	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1382.0	1371.0	1375.0	1366.0	2230.0 (16/1)	1322.0 (20/8)
JSE Industrial (28/9/78)	2710.0	2701.0	2698.0	2694.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	703.81	707.24	720.96	702.93	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	(u)	226.42	228.53	229.54	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	850.2	855.2	865.0	883.1	1329.9 (5/7)	850.2 (9/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	640.4	638.7	640.2	644.6	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	520.8	519.0	520.5	523.5	698.2 (13/7)	512.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	3472.53	3554.00	3689.87	3467.70	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	662.55	661.19	662.25	661.89	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	451.1*	450.5	457.2	463.2	571.0 (4/1)	423.1 (28/9)

**Saturday November 3: Taiwan Weighted Price: 3304.86 Korea Comp Ex. 710.96

♦ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

Producer price data give Dow an early boost

Wall Street

AN EASING of market fears about Gulf hostilities combined with better-than-expected producer prices data and lower oil prices to leave equities broadly higher at midsession yesterday, *writes Patrick Harverson in New York.*

At 1.30 pm, the Dow Jones Industrial Average was up 26.24 at 2,470.05 on modest volume, with advancing issues outnumbering declining issues by almost two to one. The Dow ended Thursday up 2.97 at 2,443.81. The Standard & Poors 500 was 3.89 higher at 311.50 at 1 pm yesterday, while the NASDAQ composite index was up 3.61 at 339.98.

The market received an early boost from the producer prices figures for October, which showed that underlying inflation remained unchanged last month.

Although the overall PPI index was up 1.1 per cent, "core inflation", which excludes traditionally volatile food and energy prices, was unchanged for the month, providing evidence that the contraction in economic activity is slowing the pace of inflation.

Yesterday's figures also suggest that US companies have absorbed the recent rises in energy costs rather than passed them on to consumers in the form of higher prices.

However, analysts were divided over whether yesterday's price data would persuade the Federal Reserve to ease monetary policy in the immediate term. For much of this week the market has been looking forward to a cut in interest rates.

Stocks received a further boost from another fall in oil prices. At midsession, the December crude oil contract was down 53 cents at $35.00.

Among leading issues IBM rose $1½ to $108⅞, General Electric advanced $1½ to $53¼ and SmithKline Beecham, which fell sharply on Thursday after its third quarter results showed lower sales, recovered to rise $¾ to $54⅛.

Technology stocks enjoyed a good morning, with Microsoft up $1½ at $65, Apple $¾ better at $35¼ and Intel $1 higher at $36¼. McCaw Cellular Communications rose $1⅛ to $13¾ in the wake of a bullish press survey on the radio telecommunications industry.

Westmark International, the Seattle-based electronic medical equipment manufacturer, rose sharply for the third day in succession, climbing $4⅛ to $26¾ on turnover of twice the average daily level. The stock was buoyed by continued takeover speculation and a broker's recommendation.

In the secondary market Weitek, the software company, jumped $1⅞ to $7⅞ in exceptionally heavy trading on hopes that it had won a $2m contract with Sun Microsystems. Sun was down $¼ at $17⅞.

Bond prices remained subdued before the long weekend (the bond market will be shut on Monday for the Veterans day holiday). The Treasury's benchmark 30-year bond was up ⅜ at 100⅝ at midday.

Canada

AFTER a higher opening, benefiting from a firm US bond market, Toronto stocks rose marginally further by midsession. The composite index gained 13.6 to 3,074.1 on volume of 10.1m shares, although advances led declines by only 177 to 169.

Brokers said that market psychology was changing, and that equities were forming a base. Northern Telecom demonstrated the point, firming by C$⅞ to C$29½ after Thursday's C$1¼ drop following its announcement of its takeover plans for the UK telecommunications group, STC.

SOUTH AFRICA

A SHARP retreat in the financial rand gave share prices a modest boost in Johannesburg yesterday. The industrial index rose 9 to 2,710, and speculative bargain-hunting took golds up 11 to 1,382 after an initial decline.

Hopeful days of October seem long gone in Japan

Stefan Wagstyl examines a market so depressed that an 8% fall in 10 days has caused little surprise

ONE MEASURE of the extent of the depression afflicting the Japanese stock market is that even a decline in the last 10 days of more 2,000 points in the Nikkei index to just under 23,000 has caused little surprise.

Buffeted by bad news for most of the year, fund managers are shell-shocked. Even allowing for the fact that the Nikkei rallied by more than 5,000 points to more than 25,000 in October, the general reaction to the decline in prices since the beginning of this month shows a deep-rooted lack of confidence.

"The market was clearly struggling at 25,000," says Mr Simon Smithson, of the Tokyo affiliate of Kleinwort Benson, the UK merchant bank. "You could hear the sound of fingernails scratching as it went down over the edge."

October now seems a long way away. The month started with a powerful statement of support from Mr Ryutaro Hashimoto, the finance minister. His comments had more impact than he could have expected, since they were fortuitously followed by a rise in hopes of a settlement in the Gulf, a decline in oil prices, a slight easing of interest rates and a sharp rise in the Japanese yen against the US dollar.

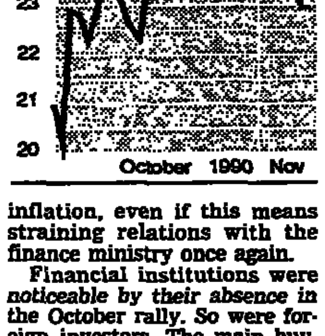
But in recent days, hopes of peace in the Middle East have faded rapidly, pushing oil prices up once more, putting some strength back into the dollar and increasing the pressure on the Japanese government to find a way of raising its contribution to the US-led forces in the Gulf.

"The most basic concern is over the Middle East. Global equity markets all feel jittery about it," says Mr Kenji Dobashi, general manager of investment research at Nomura Securities.

Meanwhile, the prospects for domestic interest rates seem less rosy than when Mr Hashimoto spoke at the end of September. Prompted partly by his references to easing monetary policy, bonds rallied, taking the yield on the benchmark 119th government bond down from 8.68 per cent at the end of September to 7.69 per cent last week.

But Mr Hashimoto's urgings were largely ignored by the Bank of Japan. Rates in the (short-term) call market, where the central bank has the greatest influence, have actually risen over the month – from 7.7 per cent on the day before Mr Hashimoto spoke to 8 per cent. The bank is clearly committed to its drive to control inflation, even if this means straining relations with the finance ministry once again.

Japan



Financial institutions were noticeable by their absence in the October rally. So were foreign investors. The main buyers were private individuals, purchasing stock on credit (margin) – mostly for short-term speculative motives. Not surprisingly, these investors have rushed to sell at the first sign that the rally was over.

As Mr Philip Dodds, of S.G. Warburg, the UK securities house, writes in a recent report: "There is no sign that domestic institutional investors will return systematically to the equity market while interest rates stay high."

Mr Dodds is unequivocally bearish, saying that the market will fall to 20,000 over the next one or two months. Japanese analysts are mostly less pessimistic, at least in public. Mr Dobashi at Nomura says the chances of the Nikkei falling through 20,000 are "not high", even in the event of war.

There is no way of knowing how investors would react to war, but it seems unlikely that any sharp move in stocks would be upwards. If war lasts more than a few days and oil prices shoot above $60 a barrel, fund managers believe the Nikkei could easily fall to 20,000 or below. The only consolation is that such a sharp plunge could be followed by an equally sharp recovery if the fighting were short-lived. Lucky the investor who gets the timing right on that one.

On the domestic front, there are signs that the economy is at last responding to the central bank's treatment. Property prices are falling, companies are cutting back investment plans for next year, and consumer spending may be cooling slightly. The growth in the money supply last month is estimated to have been less than 11 per cent year-on-year for the first time this year.

However, these changes are unlikely to percolate into the main growth and inflation indicators until the middle of next year. Even then, there is likely to be continuing upward pressure on interest rates as Japanese banks try to curb their growth in assets, in order to raise their capital positions to international standards.

Banks will be taking out subordinated loans from the institutions, further reducing the supply of funds to the stock market. There is also a danger that the current period of high interest rates will drive more companies into financial trouble, particularly in property.

Moreover, even if the economy slows and interest rates fall, the outlook for stocks is not necessarily bright. Companies now posting interim results for the period to the end of September are reporting that profit growth is being squeezed by higher material and labour costs. Wako Research Institute estimates that the pre-tax profits of 182 leading companies rose just 4.46 per cent, against 14 per cent last year. The pressures on profits will grow in the event of a slowdown.

However, the picture is not completely negative. If stocks are an advance indicator of the economy, then the 40 per cent decline in the Nikkei this year will have discounted much of the bad news.

In addition, the prospects for Japanese companies must surely be better than for some of their western rivals, facing difficult trading conditions in the US and parts of Europe, including the UK.

For investors willing to sweat out the next year or so, this could be a golden buying opportunity – but few seem willing to take that chance.

ASIA PACIFIC

Position-covering before holiday leaves Nikkei flat

Tokyo

LATE index-linked buying, and a spurt of activity by investment trusts covering positions before the long holiday weekend, allowed the market to recover most of its morning losses. The Nikkei average closed only 38.01 lower at 22,931.80 yesterday, *writes Emiko Terazono in Tokyo.*

The Nikkei, which shed 5.2 per cent during the week, opened at the day's high of 22,946.95 and made an intra-day low of 22,482.04. Volume remained sluggish before Monday's holiday, down from 360m to 320m shares. Declines led gains by 725 to 218, with 122 unchanged. The Topix index of all first section stocks declined 14.47 to 1,707.44 and, in London, the ISE/Nikkei 50 index closed down 4.11 at 1,282.12.

President Bush's announcement, late on Thursday, that he would send additional troops to the Gulf increased fears of war at the opening; but a senior manager at a Japanese securities house said that dealers were committed to support the Nikkei above the 22,700 level, as this was considered an important psychological point.

Big steels and utilities continued to tumble, while high-technology issues – including Canon, down Y10 at Y1,260, Toshiba, Y5 at Y710, and TDK, Y50 at Y4,590 – hit new 1990 lows during the day.

Investors moved to sectors unaffected by international factors, such as construction and pharmaceuticals. The day's most active stock was Honshu Paper, the pre-eminent speculative stock, which gained Y200 to Y2,550.

Four construction issues were among the 10 most actively traded. Nishimatsu Construction recovered most of its early losses to end Y10 lower at Y1,360, Tokyu Construction held at Y1,110 and Nittoc Construction and Hazama-Gumi gained more than Y30 each, to Y1,790 and Y1,230 respectively.

Sankyo, a leading drug company, was bought on good first-half results, and gained Y20 to Y2,390. Other pharmaceuticals were also strong, with Takeda Chemical up Y30 at Y1,690 and Dainippon Pharmaceutical rising Y70 to Y2,000.

The OSE average in Osaka finished 414.94 lower at 26,428.47 with a thin volume of 27.5m shares against the previous day's 42.1m.

Roundup

THE MIDDLE East crisis hung over regional markets yesterday, with most ending lower.

TAIWAN fell 2.3 per cent as fears of war in the Gulf led to profit-taking. The weighted index shed 81.47 to 3,472.53, but it ended the week 11.9 per cent higher after the return of the big investors to the market and a lower-than-expected inflation figure midweek. Turnover eased to T$42.17bn from T$53.12bn billion on Thursday.

AUSTRALIA lost 1 per cent on the day, but gained 2.9 per cent on the week as the All Ordinaries index closed 13.4 lower at 1,328.8. Turnover fell from A$178m to A$139m.

Adsteam fell 15 cents to 63 cents on news that it was cutting debt by A$3bn and restructuring. David Jones, its retailing associate, fell 53 cents to A$2.49 and National Consolidated, its manufacturing and marketing associate, by 10 cents to 46 cents.

NEW ZEALAND's Barclays index dropped 1.1 per cent, or 13.82 points, to another six-year low of 1,278.36 in thin turnover, down 1.7 per cent on the week after a 7.7 per cent drop in the week before.

The market appeared to have steadied somewhat, after being rocked early in the week by revelations of projected government budget shortfalls and a NZ$720m bail-out of BNZ, a commercial bank facing big losses on bad and doubtful debts.

HONG KONG was flat on the day, a rise of 0.48 to 2,932.92 in the Hang Seng index, on turnover down from HK$779m to HK$745m, leaving the market 1.5 per cent down on the week. Bargain-hunting was offset by a 15 cent fall to HK$5.85 in Hong Kong Telecom after a 17 per cent rise in interim profits.

SINGAPORE stayed relatively active, volume rising from S$61.2m to S$64.5m as the Straits Times Industrial index eased 7.06 to 1,088.49, a fall of 3.8 per cent on the week. The KUALA LUMPUR composite index fell for the fourth straight day, losing 3.10 points to 468.05 for a 2.5 per cent drop on the week.

SEOUL suffered a small decline, with the composite index down 3.43 at 703.81, a fall on the week of 0.9 per cent. Turnover subsided to Won237.5bn from Won348.3bn.

Share prices picked up in the afternoon as institutional investors bought stock for the first time in several days. Buying by the stock market stabilisation fund and investment trust companies lifted the index about 5 points, before selling by individual investors wiped out gains.

BOMBAY slipped on profit-taking after Mr Chandra Shekhar was asked to form a new government. He is due to be sworn in as prime minister today, with the backing of Mr Rajiv Gandhi's Congress party, but fears of political instability persisted yesterday. The BSE index fell 19.64 to 1,392.53, but it finished the week 5.3 per cent higher.

EUROPE

Chemicals' rebound gives Frankfurt a lift

A MIXED performance yesterday suggested that bourses were looking for a theme; Madrid was closed for a regional holiday, *writes Our Markets Staff.*

FRANKFURT rose on the suggestion that West Germany's big three chemical manufacturers might not have to cut their dividends for 1990.

Share prices responded, Bayer leading with a DM4.20 rise to DM198.20. The DAX index put on 12.05 to 1,381.49 for a 2.3 per cent fall on the week, following a midsession gain of 9.10 points to 603.48 in the FAZ, which closed the week 2 per cent down.

However, volume fell from DM4.4bn to DM3.7bn as other blue chips, including the big four internationals, were not so lively. Allianz, Daimler, Deutsche Bank and Siemens only rose by a fraction and the construction and retail sectors, recently in favour, were similarly subdued.

One retailer proved the exception: Asko, in the final round of talks to purchase its Co op food retailing counterpart, rose DM23 to DM933. In engineering, one of the best rises of the day came from Deutsche Babcock, up DM10.40 at DM136.90.

PARIS remained stuck in the sub-1,600 area on the CAC 40 index, in another day of light trading. The index ended 2.97 higher at 1,572.82, a decline on the week of 3.8 per cent, in turnover of FFr1.4bn by the official close.

Galeries Lafayette was active, as a block of about 4 per cent of the department store's capital was traded at the closing price of FFr1,778, down FFr22. This was believed to be a deal between two institutional investors.

Arjomari-Prioux, the specialised paper producer, plunged FFr129 or 7.3 per cent from Tuesday's price to FFr1,650, after being requoted following the previous day's news of its tie-up with Wiggins Teape Appleton of the UK. One salesman said that there were worries about similarities with the deal between CMB Packaging and MB Group of the UK.

Société Auxiliaire d'Entreprises continued to rise, gaining FFr49 to FFr1,069 with 61,625 shares exchanged. The construction group has gained 8 per cent in two days.

MILAN fell during and after hours. Sentiment took another cold bath, this time on the suspension of trading in the Enimont joint venture. The Comit index fell 2.27 to 532.97, 4 per cent lower on the week.

Prior to the suspension, major stakes in Enimont were sequestered by a Milan court on the request of ENI, the government-owned shareholder. The other shareholder, Montedison, fell L55 to L1,080 in late trading. Enimont hit a low of L985, down L26 on the day, after a gain of nearly 2 per cent at the official close.

AMSTERDAM achieved a modest upturn on Wall Street's higher opening and short-covering before the weekend. The CBS Tendency index added 0.3 to 93.6 in quiet trade, for a loss on the week of 1.2 per cent.

Unilever closed 60 cents lower at Fl 142.30 after announcing its third-quarter results, recovering from an earlier low of Fl 141. The 7 per cent rise in net profits in guilder terms was described as in line with or slightly below expectations.

STOCKHOLM ended the week at a 1990 low after its 11th consecutive decline. The Affärsvärlden General index dropped 5.0 to 850.2, a fall of 4.4 per cent on the week, in trading worth SKr152m.

Against the trend, Astra free Bs rose SKr7 to SKr490 and Ericsson free Bs firmed SKr2 to SKr205. Both companies report interim results next week. Trygg-Hansa joined Gota under suspension, amid speculation that the former would buy a stake in the latter.

OSLO also fell to another year's low, with only shipping stocks making gains. The all-share index eased 1.87 to 486.19 – a loss over the week of 2.4 per cent – in trading worth NKr190m. **HELSINKI**, meanwhile, rose in moderate volume, with the Unitas all-share index adding 2.6 to 408.4 in turnover of FM43m.

ZURICH saw the Crédit Suisse index rise 1.5 to 468.2, 2.6 per cent down on the week. Immuno, the pharmaceutical company, starred again with a rise of SFr370, or more than 12 per cent, to SFr3,350.

ATHENS dropped another 3.5 per cent, leaving the bourse 10.8 per cent lower on the week. The general index shed 29.14 to 810.56. **ISTANBUL** also fell 3.5 per cent, with the market index down 132.04 at 3,663.61 as turnover doubled.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY NOVEMBER 8 1990								WEDNESDAY NOVEMBER 7 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (77)	124.33	+0.6	93.69	102.05	96.19	106.31	+0.9	7.41	123.57	92.69	100.06	95.21	105.41	158.31	118.98	150.41
Austria (19)	198.18	−2.3	149.33	162.67	153.31	153.76	−1.4	1.78	202.94	152.23	164.33	156.37	156.00	285.83	178.57	134.97
Belgium (61)	137.92	−2.0	103.93	113.19	106.69	104.59	−1.2	5.54	140.70	105.54	113.92	108.41	105.83	160.02	126.67	138.21
Canada (120)	122.49	−0.8	92.30	100.53	94.75	103.64	−0.3	3.85	123.52	92.65	100.01	95.16	103.98	153.81	121.24	148.89
Denmark (33)	254.26	−1.2	191.60	208.70	196.70	197.37	−0.5	1.50	257.27	192.98	208.32	198.22	198.40	277.62	234.05	212.00
Finland (25)	103.44	−1.1	77.95	84.91	80.02	77.49	−0.5	3.94	104.64	78.49	84.73	80.62	77.86	152.29	98.91	123.55
France (122)	136.81	−1.5	103.09	112.28	105.83	107.14	−1.0	3.84	138.83	104.14	112.41	106.96	108.23	168.85	124.98	130.54
Germany (91)	110.92	−1.2	83.56	91.05	85.80	85.80	−0.8	2.64	112.27	84.22	90.92	86.50	86.50	144.63	101.38	94.80
Hong Kong (46)	118.94	−0.7	89.63	97.62	92.02	119.07	−0.7	5.56	119.80	89.86	97.01	92.31	119.92	147.49	112.24	117.29
Ireland (17)	152.31	−3.4	114.77	125.02	117.83	119.53	−2.7	4.37	157.59	118.21	127.61	121.42	122.85	198.57	139.04	158.79
Italy (91)	81.87	−1.3	61.69	67.19	63.33	68.42	−0.8	3.60	82.95	62.22	67.16	63.91	68.99	109.26	80.87	87.29
Japan (454)	125.82	−3.1	94.81	103.28	97.35	103.28	−1.8	0.82	129.81	97.38	105.11	100.03	105.11	197.26	106.58	186.10
Malaysia (35)	195.21	−1.0	147.10	160.22	151.01	203.07	−0.9	3.09	197.11	147.86	159.60	151.87	204.97	250.89	182.96	194.43
Mexico (12)	546.69	+1.5	411.95	448.72	422.92	1750.72	+1.6	0.39	538.59	404.01	436.12	414.98	1722.44	561.41	324.53	292.33
Netherland (41)	131.83	−1.5	99.34	108.20	101.99	100.96	−1.0	5.32	133.78	100.35	108.32	103.08	101.97	149.03	127.56	123.93
New Zealand (16)	48.81	−1.8	36.78	40.06	37.76	42.35	−1.5	7.95	49.72	37.30	40.26	38.31	43.01	75.36	48.15	74.19
Norway (27)	229.89	+0.0	173.23	188.70	177.85	181.52	+0.6	1.70	229.95	172.49	186.20	177.18	180.40	276.79	202.34	173.78
Singapore (25)	152.60	−1.8	114.99	125.26	118.05	120.08	−1.4	3.68	155.34	116.53	125.79	119.69	121.80	209.24	147.24	156.30
South Africa (60)	166.24	+0.7	125.27	136.45	128.60	131.90	−0.4	4.12	165.14	123.88	133.72	127.24	132.47	251.39	151.50	167.61
Spain (42)	144.87	−1.4	109.16	118.91	112.07	102.72	−1.0	5.40	147.00	110.27	119.03	113.26	103.73	182.25	128.54	156.12
Sweden (27)	164.31	−2.0	123.81	134.87	127.11	135.54	−1.3	3.00	167.59	125.71	135.71	129.13	137.38	234.93	158.07	174.91
Switzerland (68)	90.95	−0.5	68.53	74.65	70.37	70.39	−0.1	3.04	91.42	68.58	74.03	70.45	70.48	109.77	85.00	85.94
United Kingdom (299)	160.38	−1.5	120.85	131.63	124.06	120.85	−1.1	5.76	162.86	122.17	131.87	125.47	122.17	176.18	139.87	143.05
USA (533)	124.04	+0.5	93.47	101.82	95.96	124.04	+0.5	3.98	123.39	92.56	99.92	95.08	123.39	148.95	119.06	136.86
Europe (963)	134.16	−1.4	101.09	110.12	103.79	102.57	−0.9	4.53	136.07	102.07	110.19	104.85	103.55	157.65	124.91	123.61
Nordic (112)	179.25	−1.3	135.07	147.13	138.67	137.67	−0.7	2.20	181.64	136.25	147.06	139.95	138.60	223.29	172.38	167.48
Pacific Basin (655)	125.24	−2.9	94.37	102.80	96.89	103.61	−1.6	1.23	128.94	96.72	104.41	99.35	105.32	192.75	107.82	181.99
Euro–Pacific (1618)	129.21	−2.3	97.37	106.05	99.96	103.93	−1.3	2.63	132.20	99.16	107.04	101.85	105.35	174.18	116.03	158.71
North America (653)	123.86	+0.4	93.39	101.68	95.84	122.71	+0.5	3.97	123.31	92.50	99.86	95.03	122.13	148.43	119.26	137.48
Europe Ex. UK (664)	117.77	−1.3	88.75	96.69	91.13	91.72	−0.9	3.63	119.36	89.53	96.67	91.98	92.51	145.62	109.94	110.92
Pacific Ex. Japan (201)	117.68	−0.2	88.68	96.61	91.05	104.45	+0.0	6.35	117.90	88.44	95.48	90.85	104.48	146.72	116.03	132.64
World Ex. US (1810)	129.59	−2.2	97.65	106.38	100.26	104.62	−1.3	2.68	132.46	99.36	107.27	102.06	105.99	173.77	117.12	158.54
World Ex. UK (2044)	123.37	−1.2	92.96	101.27	95.45	109.67	−0.8	2.78	124.92	93.70	101.16	96.26	110.37	182.00	115.37	150.44
World Ex. So. Af. (2283)	126.41	−1.3	95.26	103.77	97.80	110.62	−0.7	3.11	128.07	96.06	103.71	98.68	111.39	161.84	118.04	149.65
World Ex. Japan (1889)	128.34	−0.3	96.71	105.35	99.30	114.70	−0.1	4.29	128.77	96.59	104.26	99.23	114.86	151.59	124.31	132.52
The World Index (2343)	126.65	−1.3	95.44	103.96	97.99	110.77	−0.7	3.12	128.29	96.23	103.89	98.85	111.53	162.05	118.33	149.76

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
99[illegible]	97¾	Treas 11¾pc 1991	99[illegible]	.....	11.80	13.67
98¾	92¾	Funding 5¼pc '87–91‡‡	98	.....	5.87	10.66
96¾	89¼	Treas. 3pc 1991	96¾xd	+¼	3.10	9.59
98[illegible]	94[illegible]	Treas 10pc Cv '91 ‡‡	98[illegible]	.....	10.12	11.80
99¼	94[illegible]	Exch. 11pc 1991	99¼	+¼	11.06	11.66
96¾	90¾	Treas. 8pc 1991	96¾xd	.....	8.28	11.51
101¾	97[illegible]	Treas 12¾pc 1992‡‡	101½	+¼	12.61	11.66
98¼	92¼	Treas 10pc 1992	98	.....	10.20	11.67
95[illegible]	89½	Treas. 8pc 1992 ‡‡	95[illegible]	.....	8.37	11.51
98½	93¾	Treas 10½pc Cv 1992‡‡	98¼	+¼	10.65	11.61
90½	82[illegible]	Treas. 3pc 1992	90½xd	+¼	3.31	9.39
101½	95[illegible]	Exch. 12¼pc '92	100[illegible]	+¼	12.14	11.62
104	98¼	Exch 13½pc 1992	103¼	+¼	13.08	11.52
93[illegible]	86¼	Treas 8¼pc 1993	93[illegible]	+¼	8.81	11.44
97[illegible]	90¼	Treas 10pc 1993‡‡	97¼	+¼	10.29	11.33
103¼	96¾	Treas 12½pc 1993‡‡	102½	−¼	12.21	11.37
89¾	82	Funding 6pc 1993‡‡	89¾	+¼	6.70	10.37
107[illegible]	99¼	Treas 13¼pc 1993‡‡	105¾xd	.....	12.99	11.40
92[illegible]	84¼	Treas. 8½pc 1994	92¼	.....	9.22	11.45
111¼	102¼	Treas 14½pc 1994‡‡	108¾	−¼	13.33	11.23
107[illegible]	99¼	Exch 13½pc 1994	105[illegible]	.....	12.75	11.37
97¾	88[illegible]	Treas. 10pc Ln. 1994‡‡	96[illegible]xd	.....	10.37	11.25
104[illegible]	96¾	Exch 12½pc 1994	103¼	−¼	12.10	11.38
93[illegible]	85	Treas 9pc 1994‡‡	92[illegible]xd	+¼	9.71	11.31
103[illegible]	94[illegible]	Treas 12pc 1995	102¼	−¼	11.75	11.30
81	75	Exch 3pc Gas 90–95	80¼	.....	3.72	8.23
97¾	88¼	Exch. 10¼pc 1995	96½	−¼	10.66	11.30

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
108	97[illegible]	Treas 12¾pc 1995‡‡	105[illegible]xd	.....	12.08	11.30
[illegible]						

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index–Linked

(b) (1) (2)

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. [illegible] 3.945. RPI for [illegible] 129.3.

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21¾	5⅛	Chase Manhattan $12½	5¾xd	+⅛	$1.20	–	24.2
19¼	524p	Chem. Banking Corpn.	573p	+26	$1.00	–	8.8
12½	5⅛	Chrysler $6¼	5¾xd	−⅛	$1.20	–	10.9
18¼	5⅜	Citicorp $1	6¼xd		$2.46	–	20.6
40⅞	29⅝	Colgate-Palmolive $1	34⅝xd	+¾	$1.80	–	2.6
12¼	386p	Cont'l Bank Corp $4	484p	+19	$1.00	–	10.5
268p	54p	Corporate Data Scnce	82p				
22¾	10¾	Dana Corp. $1	10¾	+¼	$1.60	–	7.4
768p	203p	Data General	223p	+13	–		–
29½	18¾	Dun & Bradstreet $1	19¼	.....	$2.12	–	5.5
[illegible]							

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
£15¾	£9	ABN Amro Fl5	£9½	.....	Q28%	2.1	8.9	5.3
303	148	ANZ SA1	152	-4	44c	1.4	11.8	6.0
233	172	Abbey National 10p	209	+2	5.7	4.3	3.6	8.5
274	128	Allied Irish Ord	138	-4	‡Q40%	3.3	6.7	6.1
85	47	Anglo Irish	53	.....	‡Q18.7%	2.7	7.9	7.6
93	61	Ansbacher (H.) 1p	61	.....	2.5	1.3	5.5	17.6
£71½	£32½	Bancaire Cie Fr100	£42⅛	+½	‡Q12½%	–	3.1	–
£22¼	£13¾	Banco Bilbao Viz	£13⅝	-⅛	Q49.1%	2.7	5.9	9.3
286	136	Bank Ireland Ir£1	139	-1	Q14.7%	2.9	9.5	4.9
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	‡15.0	–	5.7	–
129½	100	Bank Scotland	104	+1	‡4.55	3.4	5.8	6.6
100¾	83½	Do. 9¼pc Irrd Pf	95	.....	9¼%	–	13.0	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	346	.....	‡h19.57	3.5	7.5	4.8
22	10	Benchmark 20p	10	.....	0.75	–	10.0	–
335	238	Brown Shipley £1	245	.....	12.0	2.2	6.5	7.9
435	285	Cater Allen £1	351	.....	‡24.5	–	9.3	–
179	29	Chancery	37	+3	9.0	2.7	–	1.5
£23½	£14	Commerzbk DM10	£14	-¼	Q18%	–	4.5	–
£13¼	620	Dai Ichi KBk Y50	659	-12	Q17%	6.2	0.5	31.1
£313½	£189¼	Deutsche Bk DM50	£189¾	+¼	Q28%	–	2.5	–
£20⅞	£14⅝	Espirito Santo	£15½	+¼	Q75c	5.1	2.5	8.0
253	166	First Nat. Fin 10p	181	.....	13.0	2.1	9.6	6.2
121	82	FNFC 6.3pc Cv. Pf	90	+1	6.3%	–	9.3	–
£13¼	633	Fuji Bank Y50	759	+8	Q17%	♦	0.4	♦
325	262	Gerrard & National	290	.....	19.0	–	8.7	–
154	85	Guinness Mahon 10p	86	.....	2.1	–	3.3	–
328	194	Hambros 20p	223	.....	11.5	–	6.9	–
128	88	Do. 7.5pc Cv Pf	94	+1	7½%	–	10.6	–
53½	29	HK & Shang. HK$2.50	29	.....	‡h038c	–	8.8	–
478	373	Joseph (Leo) £1	373	-5	15.85	–	5.7	–
150	105	King & Shaxson 20p	116	-2	10.25	–	12.0	–
422	262	Kleinwort Benson Grp	275	.....	16.0	2.5	7.8	6.5
642	316	Kyowa Bank Y50	365	+5	Q14%	♦	0.8	♦
316	220	Lloyds £1	270	+5	‡13.3	2.6	6.6	6.3
56	44	Lon. Scot. Bank 10p	47	-1	‡2.4	1.9	6.8	9.3
404	176	Midland £1	188	.....	‡18.0	2.6	12.8	3.9
£14½	£10⅛	Mitsubishi Bank Y50	£10⅛	.....	Q17%	♦	0.3	♦
£12⅞	£4⅞	Mitsubishi Tr & Bk Y50	£5⅛	+⅛	Q17%	12.4	0.6	12.9
£10⅝	£4⅞	Mitsui Taiyo Kobe Y50	£6⅛	-⅛	‡Q16%	6.0	0.5	33.1
904	410	Mitsui Tst & Bk Y50	473	-7	Q17%	♦	0.7	♦
326	220	Nat Aust. Bk A$1	234	-2	Q55c	♦	9.9	♦
368	227	NatWest £1	257	+2	‡16.7	3.3	8.7	4.7
£210	£115	Ottoman Bank	£115	.....	Q110%	2.8	9.6	3.7
55	26	Rea Bros. Group	28	.....	0.5	3.2	2.4	14.0
227	119	Royal Bk. Scotland	151½	+2½	‡7.2	3.8	6.3	5.3
795	338	Saitama Bank Y50	338	-16	Q14%	♦	0.8	♦
£12¼	567	Sanwa Bank Y50	661	-4	Q17%	6.7	0.5	29.0
902½	613	Schroders £1	698	.....	b12.5	5.9	2.4	9.4
712½	413	Do. £1 N/V	478	.....	h12.5	5.9	3.5	6.5
£25¼	£9¾	Sec. Pacific $10	£10¼	+⅛	Q$2.52	–	12.5	–
616	235	Standard Chartd. £1	251	+2	35.0	1.4	18.6	(4.7)
£16⅛	£5½	Sumitomo Bank Y50	£6½	.....	‡Q16%	7.5	0.5	27.0
£11	£4⅞	Sumitomo Tst & Bk Y50	£5⅝	.....	Q17%	6.9	0.6	23.9
147	114	TSB	128	-1	‡5.8	2.5	6.0	8.3
175	122	TSB Bank Ch nel Is'l	122	.....	‡Q6.7	3.5	5.5	6.1
£46½	£4⅛	Tokai Bank Y50	£4½	-⅛	Q16%	4.1	0.9	33.5
920	484	Toyo Tst & Bk Y50	603	-8	‡Q15.7%	6.9	0.5	27.0
611	499	Union Discount £1	559	.....	33.0	–	7.9	–
525	286	Warburg (S.G.)	315	+6	15.0	3.8	6.4	5.5
180	99	Do 6pc Cnv Prf	103	-1	6%	–	7.8	–
279	147	Westpac SA1	153	-2	Q52.5c	1.5	14.8	4.4
420	303	Wintrust 20p	303	-5	‡7.8	4.2	3.4	8.4
969	509	Yasuda Tst & Bk Y50	585	-23	Q17%	♦	0.6	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
175	40	CLF Yeoman 50p	58	.....	Q18.5%	3.2	17.5	2.4
71	49	Cambridge Grp Ir5p	49	-4	‡Q7½%	15.6	0.7	11.9
55	11	Capital Leasing Ir10p	39	+1	‡Q13%	3.5	2.7	9.6
68	50	Cattle's (Hldgs) 10p	60	.....	‡3.58	1.9	7.9	8.6
426	362	Prov. Financial	394	+1	‡20.5	2.1	6.9	9.1
232	134	Reflex Invs. Ir5p	139	-1	gQ51%	7.9	1.7	10.3
225	192	Secure Trust Grp. 1p	195	.....	‡8.5	2.8	5.8	8.2
210	135	Woodchester IR20p	168	-4	‡Q16.7%	5.9	1.8	12.5

BEERS, WINES & SPIRITS

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
520	408	Allied-Lyons	469	.....	16.95	2.2	4.8	10.8
£26½	£18¼	Anheuser-Busch $1	£19½	+¼	Q$1.00	–	2.6	–
1128	895	Bass	981	-18	‡28.2	3.5	3.8	9.7
170	130	Boddington	130	-2	‡5.1	2.3	5.2	11.0
206	161	Bulmer(H.P.) 5p	204	.....	7.65	1.6	5.0	15.3
227	136	Burtonwood Brewery	137	.....	3.98	3.1	3.9	9.9
400	290	Clark (Matthew)	338	.....	13.5	2.7	5.3	9.2
286	115	Devenish (J.A.) 5p	122	.....	‡4.65	3.1	5.1	7.5
225	85	Do 4.5pc Cv 2ndPf	88	-2	4½%	–	6.8	–
167	102	Eldridge Pope "A" 50p	102	-1	4.1	2.3	5.4	9.7
430	335	Fuller, S.T.A. "A" £1	400	.....	5.5	4.1	1.8	17.7
681	514	Grand Metrop 50p	551	-9	‡17.75	2.8	4.3	9.6
369	295	Greenall Whitley	337	-1	‡8.7	2.9	3.4	12.8
174	139	Do. 5.95pcCvPf£1	160	+1	5.95%	–	5.0	–
420	313	Greene King	358	.....	9.8	3.4	3.6	10.5
824	626	Guinness	713	+4	‡15.3	3.3	2.9	12.5
224	171	Do 5¾pc Cnv Prf	199	+1	5.75%	–	3.9	–
£272	£208½	Do 8¼ pcCvLn	£238½	+1	Q8¼%	–	3.5	–
253	182	Highland Dist. 20p	231	.....	4.8	♦	2.8	♦
75	50	Hoskins Brewery 50p	55	.....	–	–	–	27.8
153	120	Invergordon Distillers 10p	139	.....	‡h5.0	2.3	4.9	11.9
725	525	Kirin Brewery Y50	575	-21	Q15%	4.0	0.5	51.2
825	548	Macallan-Glenlivet	553	-5	‡1.06	8.1	0.3	62.6
485	380	Macdonald Martin 'A' 10p	485	.....	6.4	3.5	1.8	21.7
480	375	Mansfield Brewery	425	.....	11.3	3.4	3.5	11.0
222	159	Marston Thompson	177	.....	4.02	3.1	3.0	14.1
512	361	Merrydown Wine	510	-2	h6.22	3.3	1.6	24.3
405	260	Morland	268	.....	‡h5.13	4.1	2.5	11.5
391	278	Scott & New 20p	361	+1	13.0	2.2	4.8	12.1
£57⅞	£37¼	Seagram	£40	-½	US$1.40	–	2.0	–
329	191	Vaux Group 10p	219	.....	‡d7.84	2.2	4.8	12.2
489	360	Whitbread 'A'	427	+3	14.8	2.4	4.6	11.2
79	58	Wiltshire Brewery 5p	59	+1	L1.5	–	3.4	–
430	339	Wolv. & Dudley	384	.....	N9.0	3.8	3.1	12.2
495	425	Young Brew 'A' 50p	430	.....	11.5	2.0	3.6	18.6
415	335	Do. Non. V. 50p	335	.....	11.5	2.0	4.6	14.5

BUILDING, TIMBER, ROADS

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
252	160	AMEC 50p	187	-1	‡h9.5	3.3	6.8	5.9
125	80	Do. 6½p Cm Cv Pf	94	.....	6½%	–	9.4	–
130	58	Abbey	73	.....	–	–	–	–
363	28	Albrighton	39	.....	7.0	1.7	23.9	2.1
116	76	Allen 5p	88	.....	4.8	3.1	7.3	5.8
159	33	Amco Corp	33	.....	–	–	–	–
132	26	Anglia Sec 10p	31	.....	‡2.0	0.2	‡	–
155	98	Arncliffe 10p	98	.....	‡6.75	4.5	‡	3.2
285	165	Ashtead Group 10p	170	.....	3.75	7.6	2.9	6.0
530	370	Attwoods 5p	382½	+8½	9.5	♦	3.4	♦
128	121	BBMSS 10p	128	.....	‡4.38	3.3	4.6	8.8
263	160	BPB Inds. 50p	162	+1	11.25	1.8	9.3	6.9
144	72	Baggeridge Brick	77	.....	3.13	4.2	5.4	5.8
[illegible]								

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

هكذا من الاصل

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MOTORS, AIRCRAFT TRADES — Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST—Contd

INVESTMENT TRUST—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

For York Trust see Babcock Prebon

WATER

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

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Industrials

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FINANCIAL TIMES

Weekend November 10/November 11 1990

British Chambers of Commerce claim bankruptcy figures confirm economy in recession

Sharp increase in company failures

By Michael Cassell, Business Correspondent

THE SHARP economic downturn pushed the number of company failures in England and Wales in the third quarter of this year to the second highest on record, and bankruptcies may now be running at unprecedented levels.

Evidence of the impact of high interest rates and weakening economic activity came yesterday when the Department of Trade and Industry reported that 4,018 companies – a 23 per cent increase on the previous quarter – formally registered their insolvency in the July-September period.

Ministers have consistently claimed that, despite the rising rate of company failures, the number of businesses being created has continued to outnumber the casualties. However, DTI statistics covering 1989 – the most recent available – showed that the number of companies registered in that year exceeded closures by 87,000.

With the rate of insolvencies still thought to be rising, particularly among smaller companies, the net number of businesses created in 1990 is certain to be well down on last year.

The British Chambers of Commerce, which released the quarterly figures on behalf of the DTI, said they confirmed all the recent indications that the economy was now in recession. The chambers have already described the recession as severe and expect the number of insolvencies to rise further in the last part of this year.

Despite the bleak outlook, Mr Miles Middleton, president of the BCC, suggested that recent criticism of the government had been "overdone" in some quarters. Industry was feeling the pain of necessary counter-inflation measures, but "now is not the moment to withdraw our support for sound, economic management".

The recession was not a sign of industrial weakness but a reflection of the policies necessary to beat inflation, he said.

The DTI third-quarter total for company failures was only marginally lower than the record figure registered in early 1985. During the first nine months of 1990, 10,544 companies ceased trading. In the same period last year the figure was 7,715.

The DTI also disclosed that the number of individual insolvencies, involving sole-trading operations, reached its highest-ever level in the first nine months of 1990. A total of 3,547 traders ceased operating, a rise of 64 per cent on a year earlier.

Brewery closes, Page 4
Inflation will fall, Page 5

Socialist sworn in as India's prime minister

By David Housego in New Delhi

MR CHANDRA SHEKHAR, the leader of a breakaway faction of India's Janata Dal party, is to be sworn in today as prime minister of the most narrowly-based administration India has so far experienced.

President R. Venkataraman asked Mr Shekhar to form a new government after the two largest parties – the Congress and the Hindu militant BJP party – had refused.

Mr Shekhar's Janata Dal (Socialist) group has about 60 members in a parliament of 543. Virtually all its members have a chance of holding a ministerial post.

The president said he had turned to Mr Shekhar to avoid a general election at a time when the country was suffering widespread violence. Mr Shekhar, who has been promised the "unconditional support" of the Congress party, will have to seek a vote of confidence before November 20. He claims the overall strength of the parties backing him is more than 280.

Officials of Mr Rajiv Gandhi's Congress party said last night that they would "see to it that this government lasts". The party intends that Mr Shekhar should remain in office until violence in the country subsides sufficiently for a general election to be held, which could mean several months at least and possibly a year.

However, political observers doubt whether Mr Shekhar's government can last that long.

Mr Shekhar, a socialist with a reputation for being a rebel, has not been a minister before. The pool of talent on which he can draw in his Janata Dal faction is equally limited.

Mr Shekhar said yesterday that his priority would be to meet the basic needs of people

Sweet revenge ....Page 3

"for which the upper strata will have to make some sacrifices". He declared that liberalisation should not mean squandering resources on production of luxury goods, but he added: "Excepting this condition, every other kind of liberalisation is welcome."

One worry of the Congress Party is that it will be held responsible for mistakes made by the new government. Congress officials said last night that the two camps were working out arrangements for continuing consultations over policy.

Other senior Congress officials said the understanding was looser, but that Mr Shekhar – as a former Congress man – knew the thinking of the party.

The official Congress spokesman said, "We do not expect him (Mr Shekhar) to do anything inconsistent with Congress policy and ideology."

Notwithstanding these assurances, Mr Gandhi and Mr Shekhar have up to now disagreed on most major issues with the only link between them being their dislike of former Prime Minister V.P. Singh.

● Mr Nawaz Sharif, the new prime minister of Pakistan, named an 18-member cabinet yesterday, retaining Mr Sahabzada Yaqub Khan, the veteran foreign minister, Reuter reports from Islamabad.

Mr Sharif, who has packed his cabinet with experienced men, said his ministerial line-up would help him "deliver the goods to the people".

Several of the ministers served in the government of General Zia, who ruled for 11 years before his death in a still unexplained plane crash in August 1988.

Brooke calls for end to violence to help resolve N Ireland strife

By Ralph Atkins

MR PETER Brooke, Northern Ireland secretary, yesterday stepped up efforts to overcome nationalist alienation in the province by going out of his way to underline the government's respect for those who aspired to a united Ireland.

Mr Brooke combined an appeal to the IRA to abandon terrorism with an assurance to Northern Ireland's minority community that it was not the aspiration to a united Ireland to which Britain objected – only its "violent expression".

In a speech welcomed by Irish officials as indicating the government's desire to take a "neutral" stand in the province's politics, he emphasised benefits that would follow if violence ended. He added, however, that Northern Ireland would in no event cease to be part of the UK without the consent of the majority of the people.

Mr Brooke's emollient comments came as he sought to overcome objections by the Irish government and the mainly-Catholic Social Democratic and Labour Party to his plans for starting talks on the province's political future. The Northern Ireland Office insisted the timing was coincidental.

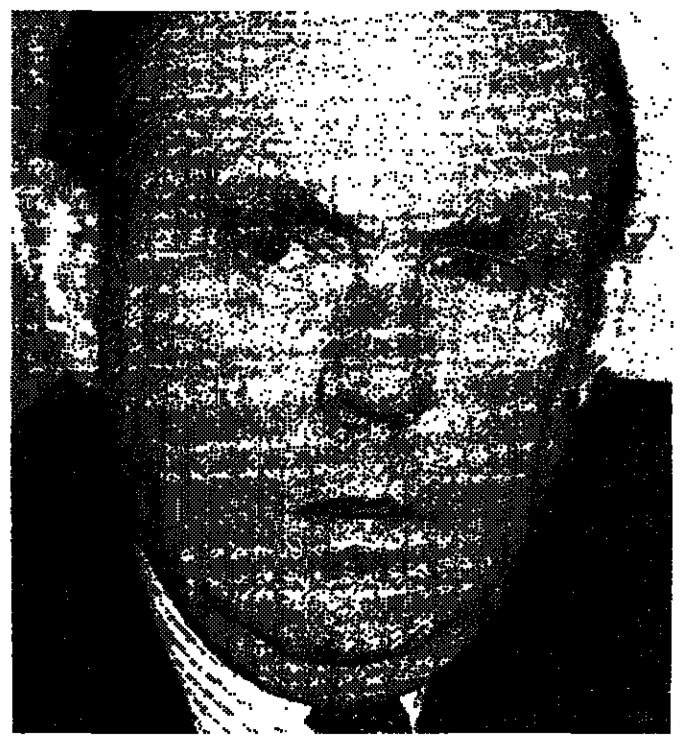
His speech clashed, however, with strong criticism by the Irish government of replacement anti-terrorism legislation for Northern Ireland which was unveiled by the government on Thursday.

Mr Gerry Collins, Irish foreign minister, said the Emergency Provisions Bill would "give significant new powers to the security forces, without providing any new safeguards to protect the rights of the citizen." Among other measures, the bill would extend powers of search and arrest.

Speaking in London, Mr Brooke said his unwillingness to do business with politicians supporting murder as a legitimate tool did not "indicate any unconcern with the real social and economic problems faced by those they represent or a lack of respect for the Irish identity and culture of such people."

Britain's role in Northern Ireland was not to "occupy, oppress or exploit, but to ensure democratic debate and free democratic choice." Military support for the police in the province would no longer be needed following a permanent end to violence.

Woman in the news, Page 6



Peter Brooke: his speech was welcomed by Irish officials

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Asko	933	+	23
BMW	397	+	7.5
Bayer	198.2	+	4.2
Hoechst	181.5	+	4.5
Volkswagen	337.5	+	5.5
Falls			
Porshe	739	–	18
NEW YORK ($)			
Rises			
Apple	35¼	+	¾
Gen Electric	53¼	+	1½
Intel	36¼	+	1
McCaw Cellular	13¾	+	1⅛
Weltek	7¾	+	1⅞
Westmark Intl	26¾	+	4⅛
PARIS (FFrs)			
Rises			
Perrier	1201	+	43
Union Immob	580	+	17
Falls			
Bouygues	374	–	10
CGIP	816	–	21
ELF	617	–	8
Spie-Bat	385	–	14.8
TOKYO (Yen)			
Rises			
Hazama-Gumi	1230	+	50
Honshu Paper	2550	+	200
Nittoc Const	1790	+	30
Falls			
Kyosan Elec	1390	–	20
Mitsui Ship	530	–	10
Nippon Steel	401	–	4

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Courtaulds	316	+	10
GKN	298	+	8
Hawker	399	+	9
Inchcape	220	+	6
Lloyds Bank	270	+	5
Nobo	102	+	8
Rosehaugh	99	+	15
Falls			
Avon Rubber	246	–	12
Bass	981	–	18
Euro Leisure	41	–	6
Hanson	179½	–	6½
Hepworth	254	–	12
Severfield	46	–	7
Steetley	323	–	12
Unilever	612	–	10
Utd Biscuits	309	–	6

WORLDWIDE WEATHER

UK today: Much of the country will have a milder, cloudy day with outbreaks of rain. Outlook: Unsettled with more rain likely, especially in the north and west.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	17	63	Dallas †	C	9	48	Madeira	S	22	72	Prague	F	8	46
Algiers	C	17	63	Dublin	C	9	48	Madrid	C	14	57	Reykjavik	C	8	46
Amsterdam	S	6	43	Dubrovnik	S	13	55	Majorca	R	17	63	Rhodes	S	16	61
Athens	C	12	54	Edinburgh	S	9	48	Malaga	F	21	70	Rio de Janeiro		–	–
Bahrain	S	29	84	Faro	S	19	66	Malta	S	19	66	Rome	S	15	59
Barcelona	C	16	61	Florence	S	15	59	Manchester	F	8	46	Salzburg	S	8	46
Belfast	F	8	46	Frankfurt	S	8	46	Melbourne	F	17	63	S'Francisco †	S	12	54
Belgrade	C	7	45	Geneva	C	4	39	Mexico City		–	–	Santiago		–	–
Berlin	C	4	39	Gibraltar	F	21	70	Miami †	C	26	79	Seoul	F	7	45
Biarritz	C	17	63	Glasgow	S	5	41	Milan	Fg	2	36	Singapore	F	30	86
Birmingham	C	6	43	Guernsey	C	11	52	Montreal †	S	-7	19	Stockholm	S	6	43
Blackpool	F	8	46	Helsinki	S	4	39	Moscow	Sn	0	32	Strasbourg	F	4	39
Bombay	S	30	86	Hong Kong	C	23	73	Munich	S	3	37	Sydney	F	23	73
Bordeaux	C	15	59	Innsbruck	S	7	45	Nairobi	F	23	73	Tangier	C	16	61
Boulogne	F	7	45	Inverness	Fg	0	32	Naples	S	15	59	Tel Aviv	C	22	72
Bristol	R	7	45	Isle of Man	C	8	46	Nassau		–	–	Tenerife	F	25	77
Brussels	S	7	45	Istanbul	R	7	45	Newcastle	C	8	46	Tokyo	C	15	59
Buenos Aires		–	–	Jersey	C	11	52	New Delhi	S	28	82	Toronto †	F	1	34
Budapest	S	7	45	Johannesburg	F	25	77	New York †	F	1	34	Tunis	F	20	68
Cairo	F	25	77	Las Palmas	F	25	77	Nice	S	16	61	Valencia	F	20	68
Cape Town	S	22	72	Leeds	C	8	46	Nicosia	S	21	70	Venice	F	11	52
Cardiff	R	6	43	Lisbon	F	16	61	Oporto	Dr	15	59	Vienna	S	8	46
Chicago †	Sn	3	37	Locarno	S	9	48	Oslo	Fg	-1	30	Warsaw	C	5	41
Cologne	S	8	46	London	C	8	46	Paris	C	7	45	Washington †	S	2	36
Copenhagen	C	6	43	Los Angeles †	S	13	55	Peking	S	5	41	Wellington	S	18	64
Corfu	S	15	59	Luxembourg	S	3	37	Perth	S	25	77	Zurich	C	4	39

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Gulf war would probably mean scrapping of electricity sell-off

By David Thomas, Resources Editor

THE PRIVATISATION of the 12 regional electricity companies will probably be scrapped if a Gulf war breaks out, the government disclosed yesterday.

The announcement was designed to reassure the underwriters and the millions of individual shareholders who have registered to buy shares in the companies.

The government's plans were revealed at a meeting yesterday with potential underwriters, who were shown the draft of a letter from the Department of Energy elaborating the proposed underwriting agreement. The letter says the government would abandon the privatisation, which is expected to raise just over £5bn in equity proceeds, if all the following three conditions occurred:

● A war breaks out in the Gulf between the pricing of the issue on November 21 and the start of share dealing on December 11.

● A fall in the stock market occurs which is predominantly due to the war.

● A majority of underwriters concludes that the war would result in the shares trading at a significant discount to the offer price at the close of the first day's dealings.

The third condition gives the decisive say in abandoning the issue to the 15-20 institutions which are expected to act as lead underwriters, rather than to the Energy Secretary.

The Bank of England would judge between the government and the underwriters if the two sides were unable to agree on whether a stock market fall was due to a war.

Government advisers believe the letter will allay the doubts individuals might have about the wisdom of applying for shares.

US calls on allies

Continued from Page 1

addition to the 230,000 forces already on the spot.

This will bring total US forces in the Gulf up to around 400,000 within weeks, nearly matching Iraq's troop strength in Kuwait. Mr Dick Cheney, the US defence secretary, said yesterday that this new deployment, particularly of armoured divisions, would include nearly half of all American land forces stationed in Germany.

After her meeting with Mr Baker, who left immediately for Paris where he is due to have talks with President François Mitterrand today, Mrs Thatcher said they were in complete agreement on a tough stand against Iraq.

Mr Baker confirmed there was "full agreement" on the need for complete implementation of all the United Nations resolutions on Iraq. There could be "no partial solutions".

Underlining her sombre warning earlier this week that Iraq must get out of Kuwait soon, the prime minister said that if President Saddam Hussein did not leave peacefully, "we shall have to take the military option and see that Iraq *does* leave Kuwait".

Mrs Thatcher signalled, at best, only lukewarm support for any efforts to seek another UN resolution authorising the use of force against Iraq. "We already have the legal authority for the use of force," she said.

However, the question of another UN resolution clearly came up at the Downing Street meeting with Mr Baker, because both participants said they had discussed the best way of keeping "the unprecedented international coalition" on Iraq together.

Mr Mikhail Gorbachev, the Soviet President, also demonstrated great firmness in his attitude to the Gulf crisis before and after talks with Chancellor Helmut Kohl of West Germany, in Bonn yesterday.

The world must remain resolute and united in its response to Iraq's annexation of Kuwait, he said at a news conference. "Let no-one hope to undermine this unity by trying to drive a wedge between us."

Mr Gorbachev had earlier said that Moscow and Washington were not split over the Gulf crisis and were doing all they could to work for a political solution. But he ducked the issue of whether the Soviet Union would be prepared to support the use of force.

Mr Willy Brandt, the former West German chancellor, flew out of Baghdad with more than 170 freed western hostages yesterday after four days of talks with Iraqi officials, writes Victor Mallet.

It was the latest success for a stream of politicians who have visited Baghdad and been sharply criticised in some western capitals for participating in an Iraqi "hostage bazaar".

An Iraqi government newspaper reported yesterday that Mr Claude Cheysson, the former French foreign minister, had held secret talks with Mr Tariq Aziz, the Iraqi foreign minister, which prompted the release of about 300 French captives.

Mr Tony Benn, the British Labour MP, yesterday rejected appeals from the British government to stay at home and said he would go to Baghdad on on November 18.

THE LEX COLUMN

Keeping politics out of markets

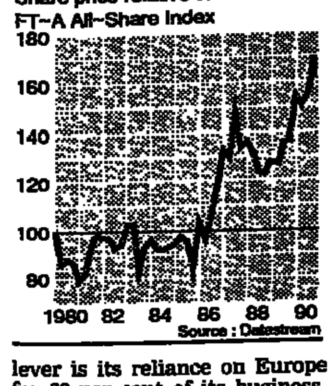
If the past week in London has shown anything, it is that the market has discounted practically every political upset short of a Labour government tomorrow. The FT-SE may be lower than it was before the news of ERM entry; but it is also 20 points higher than before Sir Geoffrey Howe resigned, despite a gloomy Autumn Statement and a couple of bruising by-elections in the meantime. The natural inference is that investors now assume the Tories are in for the long haul until 1992. They might still be wrong about that; meanwhile, the political *temper is one of apathy.*

The same holds good for the corporate sector. The main event in domestic terms would be a cut in interest rates, or as many as it took to get things moving again. The flurry of immediate expectation has died down, perhaps because the market is starting to grasp the fact that ERM membership logically implies that Mr Major *has no* better idea of when a cut is achievable than anyone else. It is also noteworthy that if by-elections could not depress the market, the prospect of almost £2bn cash from the STC deal could not cheer it up either.

It follows that the only shocks threatening the UK market seem to come from outside. There is now almost a consensus that the outbreak of war in the Gulf would send the market higher. This is a dangerous assumption; even if true in the first 24 hours, it could be quickly falsified as the true risks were brought more vividly to mind. On balance, the London market must face the fact that a becalmed state just now is better than any likely alternative.

FT-SE Index: 2,040.6 (+4.4)

Unilever



Unilever

Unilever's third quarter figures contrived to upset the market, chiefly because a $50m write-off at Lipton in the US broke a 38-year record of uninterrupted profits growth at one of the group's most successful subsidiaries. It would be unsurprising if investors showed signs of nerves at this stage. For Unilever, as for its international competitors, the ability to pass on added value in branded goods is partly a function of the economic cycle. Unilever's shares have doubled against the London market in the past five years, while those of its rival Procter & Gamble have done the same against the US market in the last two. Might it be time for a breather?

The offsetting factor for Unilever is its reliance on Europe for 60 per cent of its business. The Anglo-Saxon recession may be an established fact; the widely suspected slowdown in continental Europe has yet to reach Unilever, which has just enjoyed its best European quarter in recent memory. This resulted partly from the surge in eastern business enjoyed by *its huge German subsidiary.* There will doubtless be a one-off effect of filling the stock pipeline here. But if eastern Europe cannot afford capital goods, it may still stretch to up-market margarine and shampoo.

It would be unrealistic to expect Unilever's shares to carry on outperforming at the rate of the late 1980s. But in such uncertain times, there is no reason to expect underperformance either.

Electricity

The *force majeure* clause being introduced into the electricity flotation could have profound consequences for the London market as a whole. The crucial change is that the power to call off the issue now lies not with the seller but with the buyer: with Schroders as lead underwriter, not with the secretary of state. The practical difference may not be enormous; it is hard to envisage a government as unpopular as the present one pressing ahead with an issue if it meant antagonising six million voters. But if the underwriters are free to cancel the issue if the going gets rough, the obvious question is what they are doing there at all.

The logical next step would be for flotations to be conducted in the US or Euro-equity manner, with the lead managers acting simply as distributors who sound out demand in advance. That may not be so well adapted to the prolonged hype of a privatisation issue; but after the two electricity generators are sold next spring, the privatisation programme is over for practical purposes anyway. As it has developed, the programme has managed in various ways to trim back the excessive profits the City has traditionally made from the flotation process. If it manages to derail the underwriting gravy train as well, it will have done a real service to the system.

US economy

The surprisingly big headline rise in the US producer price index last month is not what matters. A year on year growth rate of 7 per cent – the highest since 1981 – may be three times the growth rate of wholesale prices in America's major competitors. But strip out the food and energy component and the index was unchanged on the previous month. It is the sort of signal which could just persuade next week's meeting of the Federal Open Market Committee to chip another quarter point off the Fed Funds rate.

There are still concerns about the strength of price inflation in US services, particularly in housing and medical costs. However, yesterday's flat *figures for core inflation* are what the authorities really watch. They support the anecdotal evidence that US companies are finding it increasingly difficult to pass on price increases in the face of a severe slowdown. This point has not been lost on a US bond market which has just *digested* the biggest quarterly refunding in US history and ended the week higher than it started. This performance, against a background of a weak currency and highly uncompetitive real bond yields, suggests that the bond markets have got more than a whiff of a serious recession ahead.

Nevertheless, the US economy is particularly difficult to read at the moment. It has just completed eight years of sustained growth – a peacetime record. While the recent rise in oil prices has been a nasty shock to the system, most commodity prices remain surprisingly weak. Remove the Gulf crisis and the outlook would be far less uncertain. The joker in the pack is the banking sector. If its problems are as bad as Wall Street is suggesting, the authorities will be forced to pump extra liquidity into the system. This could do wonders for a tired old economy.

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Weekend FT

SECTION II

"If it is presupposed that people living in the wrong kind of order cannot have a good will and people living in the right kind of order cannot have a bad one, then not only will coercion be necessary to establish that order but also its application will be the ruler's moral duty."

W H Auden, 1948.

Ian Pollock

Where are all the spies?

*Now that the Party is over in Eastern Europe, **John Lloyd** wonders where all the secret policemen and strong-arm boys are lurking*

THE PILLARS of any communist regime have been the Party, the Ideology and the Secret Police. The Party has been the dominant partner; the Ideology of vast importance because of its self-legitimising claim that the Party acts in the name of History; but the secret police kept the show on the road.

In part this was because they knew where the bodies were buried – usually because they buried them. But more important it was because the practice of communism was impossible without their unceasing vigilance. Communism was about engineering Utopia: about delivering the perfect society. Since it had to work with imperfect humans, it required a force to mould these to fit the predetermined pattern or, in more recent years, when belief drained away, to ensure outward conformity.

"The real mission of the secret police today," wrote Vaclav Havel (now Czech leader) in 1975, when he had already had some years of their attentions, "is not to protect the free development of man from any assailants, but to protect the assailants (the authorities) from the threat which any real attempt at man's free development poses."

The secret police forces had the functions of their fellows in non-communist states – to provide the state with information about external and internal attack and subversion – but the latter category was defined in a qualitatively different way. Internal subversion could be a note, a remark or even the expression on a face. Increasingly, in the past two decades, it was the omission of the necessary genuflections to the Gods of Ideology.

Of the Communist countries, only Hungary attempted (often unsuccessfully) to practice a philosophy which held that "those who are not with us need not be against us." All others assumed, rigorously, that "those who are not with us *are* against us."

Now, the crisis of communism is also the crisis of the secret police. Where communism has been most decisively routed – in Czechoslovakia, Hungary and Poland – the secret police establishments have been reduced, the agents pensioned off, their files impounded (where they had not been destroyed by the police themselves as they saw their years of untrammelled power dissolve).

Former dissidents such as Krzystof Kozlowski in Poland and Jan Ruml in Czechoslovakia (both journalists) have been charged with cleaning up the organisations: they have recalled the spies from abroad and reduced the tasks of the new, smaller security services to counter-terrorism and counter-intelligence. Both have refused to indulge in retrospective vengeance, in part because of the endless cans of worms this would open. But they cannot suppress all of the nightmares of the past.

Just before the Czechoslovak elections in June, Jozef Bartoncik, president of the Peoples Party (a former junior partner of the ruling communists) was called into the Presidential office and told by Havel that evidence had been produced that he had been an StB (secret police) informer for two decades: he was given the chance to resign. Ruml, who was at the meeting, said Bartoncik agreed. The next day, he reneged and said he would keep his post and run in the election: a day later he was admitted to hospital with a heart attack. His fall also took down Richard Sacher, the Interior Minister, whose foot-dragging on secret police disbandment had prompted Ruml's appointment and who was not reappointed after the election.

In Poland earlier this month, two secret police generals were picked up for the alleged involvement, in 1984, in the murder of Father Jerzy Popieluszko, a Solidarity priest whose brutal killing had been laid at the door of four middle ranking officers. On separate charges of corruption, Miroslaw Milewski, a former Interior Minister, was also arrested.

In Germany Klaus Kuron a West German secret policeman, revealed himself as a double agent for the East German Stasi over the past eight years: subsequent arrests of his contacts indicate that some 8,000 former Stasi agents may still be lying low in Germany, ready for offers from foreign powers. In all of the East European states, the sacked or sidelined secret policemen constitute a vast pool of potential mischief, who are already being linked to organised crime, drug running and blackmail.

The best idea – which all the former socialist countries are trying to implement – would be to find them useful work. But this will be hard in the face of the rising demands from the public for revenge. Already, Prague cab drivers have complained loudly that pensioned-off StB men in new Volgas are creaming off the tourist trade at the big hotels, where once they planted bugs. Poland's gathering struggle between Lech Walesa and Premier Tadeusz Mazowiecki for the presidency may have dictated the pace of the arrests: Walesa's campaign depends heavily on charges that the Solidarity-dominated government is soft on the communists, and that the old crimes must be brought to book.

This poses one of the sharpest dilemmas for the post-communist governments. The moral high ground taken by Mazowiecki and Havel is not occupied by many of their fellow citizens, especially those who now suffer from falling living standards and who see former senior police officers (retired) using their savings and their contacts to find niches in the developing market systems.

These old secret networks were immense and virtually untouchable: the moral corruption they spread was pervasive. Secret police agents harassed, beat up, and threatened: they extorted bribes, sexual favours and privileges on a vast scale. This is at once impossible to examine properly and impossible wholly to forgive: it can neither be suppressed, nor exorcised.

And these are the best of the cases. In Bulgaria, a promised examination into claims that the secret police killed emigré dissident Georgi Markov in London in 1978 has been quietly dumped. Accusations that the Bulgarian secret police were involved in the attempted assassination of Pope John Paul II in 1981 are heatedly denied. The restructured service is now under the nominal control of the National Assembly – dominated by the Socialists, the renamed Communist Party – but the files have not been opened and there have been no large scale dismissals.

Diplomats in Sofia believe that the old apparatus of telephone taps, bugging and shadowing continues. Romania is perhaps the extreme. The country (population 23m) had 200,000 full time Securitate agents, and 3.2m registered informants. They tapped 1m phones, censored all international mail, and took typescript and handwriting samples from a substantial chunk of the population. The scale was commensurate with the grandiosity of the Ceaucescu dictatorship, and with the unusually large gap between its rhetoric (ultra-Utopian) and the reality of people's lives (miserable).

Formally, it has gone. The top leadership was captured on December 23 by the army acting for the National Salvation Front: it was disbanded on January 3. But the new Romanian Intelligence Service, formed in April, contains many of the same personnel: and when the miners of the Jiu Valley came to Bucharest in June to "express support for the Government" by beating up students, opposition leaders and the better dressed of the passers by, a number of Romanian and foreign observers noted the presence of "men in suits" whom they claimed to recognise as – or assumed were – Securitate.

The Securitate were not just exceptionally diligent: they were an exception in probably being more important than the Communist Party. For at least the last decade, the Ceaucescus' rule (for it was a family affair) was routed through the security organs rather than the party – and the latter, though bloated with the membership of everyone who held any post of responsibility (or hoped to), was a formal and empty body.

The popular view of the Soviet KGB often conforms to the Romanian exception. It is seen as a service which can manipulate the Party and national leadership and operate independently of them. Yet, as defectors confirm, the KGB is, has always been, under the party. It derives its *raison d'être* from acting as the Party's, not society's nor even the state's, "sword and shield."

This meant that it was (in its previous guises: Cheka, NVD, NKVD) the executioner of oppositionists under Lenin, of old Bolsheviks (and new Bolsheviks, and non Bolsheviks) under Stalin; the suppressor of, and snooper on, dissidence under Kruschev and Brezhnev, Andropov (a former KGB chairman) and Chernenko. Yet until now it has had no crisis of identity. It served the Party leadership, and who that was – except for brief, fevered interregnums – was always clear.

But now? Vladimir Kryuchkov, the present chairman, insists that "perestroika is really happening in our organisation." He emphasises its role in the fight against drugs and international terrorism and defines its foreign activities as little more than diplomatic information with added detail.

But last June, KGB Major General Oleg Kalugin wrote an article which proposed that the counter intelligence and intelligence branches should be purged of their dirtier tricks: when forced to retire later that year, he became more outspoken, pointing to the disorientation in KGB ranks caused by the decline in the party's standing and the swirl of opinions permitted inside and outside of it.

What Kalugin points to is a split in the KGB ranks: a separation into officers prepared to accept the new Soviet realities, and those – perhaps more numerous – who are increasingly drawn into at least passive approval of anti-perestroika movements. In March, a group described as "representatives of the KGB central apparatus" issued an open critique of the leadership for permitting too much dissent: other officers, active and retired, have besieged the press with complaints that Kalugin is permitted to speak publicly.

Perhaps the KGB cannot be reformed: though it may now reflect that the squeeze upon it is partly its "own fault". It strongly backed Gorbachev in his bid for leadership in 1984, providing him with top level briefing, especially for his visit to the UK in that year, when Margaret Thatcher remarked that she could "do business" with him. It backed him because it saw in him another, younger, Andropov: someone with a sense of realism and the power to enforce discipline on an economy which could no longer provide the means to compete militarily (or in any other way) with the West.

He has certainly disappointed them. Those whom the KGB had suppressed, bullied and followed are now relatively free to speak – even honoured in their own country, like the late Andrei Sakharov. They have lost the assistance of their "fraternal" organisations in the former socialist countries.

The fears and myths of encirclement, of imperialist warmongering and imminent nuclear attack which sustained the organisation's foreign empire are now discounted by the Leaders of the state. Vladimir Kryuchkov, the current chairman (and Gorbachev appointee) has a place on the Presidential council and still enjoys the support of Gorbachev: but he has been publicly called a liar by Boris Yeltsin, president of the Russian Federation, who may prove to have more real power than the Soviet president.

The judgment of Christopher Andrew and Oleg Gordievsky in their book *KGB: The Inside Story* (Hodder and Stoughton, £20) is right: "The greatest threat to the KGB is its own past." Bloodier by far than any equivalent agency still existing in the world, it can scarcely hope to survive the decline of the Party whose tool it has always been. Like the other secret police agencies, which pass into unquiet graves, it has done its best to engineer Utopia, and must now face the consequences in the real world, from unreformed people.

Wonder cure for an economic miracle

The Long View

BARRY RILEY

The government is now forecasting a temporary fall in national income, but will economic imbalances be fully corrected?

IT IS a wonderful cure for financial and economic ills, but it just might finish you off if you are unlucky, or imprudently financed. They call it a recession.

John Major, the Chancellor, suggested in this week's autumn statement that it will only be a very shallow recession.

In the first half of 1991 GDP will be ½ per cent lower than in the same period this year. But by the second half an annual growth rate of 2 per cent will have resumed – just in time for an election, perhaps.

Perhaps that is optimistic, but there is much too much gloom around already, so I would like to look on the bright side for a moment. Just think of all the benefits that a recession brings.

Suddenly you can get a taxi, even during a wet lunchtime (though getting somebody to sign the expenses claim may be harder).

More importantly, overstretched public services can obtain staff, and there is spare capacity to serve the public in every business activity short of the insolvency departments of accountancy firms.

Tumbling rents and land prices are a godsend to many businesses. Several proprietors of small businesses have remarked to me how much easier it has become to afford space and good position.

In the City of London, for instance, this could be a significant spur to the launching of many new small businesses as the ill-conceived megafirms crumble all around.

A sharp fall in the price of money is one inevitable consequence of a recession. This year bankers have begun to run out of customers for money, except the still desperate distress borrowers who are no longer creditworthy. They are the ones developing the office blocks for which the rents are tumbling.

Perhaps immediate hopes of a fall in short-term interest rates have been deferred by the government's decision to go into the exchange rate mechanism at too high a rate. That it is too high is confirmed by the Treasury's forecast that the balance of payments deficit will shrink only very slowly next year despite the recession.

But whereas six-month money now costs 13 per cent, it is 12 per cent for a year and 11¼ per cent for five years. For the moment, high rates are needed to sustain sterling within the bottom quarter of its permitted range against the other EMS currencies; but the high level of sterling will generate a deeper recession.

If the government can hold its nerve the economic setback will bring inflation crashing down over the next year or two. That resolve may be in some doubt, and meanwhile the Germans are spoiling things by keeping their rates high. However, patience will be rewarded.

Lower short-term interest rates will act, with a lag, on long bond yields and then, with a further delay, on the equity market.

The average yield on UK equities is around 5.7 per cent and the yield on long-dated gilts is only about twice as high. Historically that ratio has averaged more like 2.3, and the figure of 2.0 has signalled a turning point.

The current weakness reflects fears about the severity of the profits setback likely to be experienced by British industry this year and next, and the effect on dividend policy now that the threat from hostile takeovers appears to have gone; also, companies will expect shareholders to share the pain with their employees.

Still, once investors are confident they can judge just how bad the setback is going to be, the risk premium will fall and the bond yield/dividend yield ratio will flip back to something like normal.

Two factors might make you think twice about this argument, however. If the pound sterling stays close to a non-inflationary deutschemark the historical level of the yield ratio might be less relevant: you would want more bonds and less equities in a Germanic environment.

At the same time, although the UK yield ratio is exceptionally low the German yield ratio is extraordinarily high: it used to be about 3 but it is now nearer 5. I am not sure what that means except that convergence is a long way off yet.

The onset of recession in Britain is being reflected financially in a massive shift of surpluses and deficits between different economic sectors. The boom of the late 1980s was generated primarily by a private sector borrowing spree, and both the company and personal sectors lived wildly beyond their means.

In 1988 the personal sector was £12bn in deficit, and the company sector to the tune of £10bn, and the public and overseas sectors were arithmetically pushed heavily into surplus (if the statisticians could get their act together the whole lot would add up to zero).

The personal sector will already be back in surplus for 1990, and although companies have been much slower to respond they are now doing so in a powerful way. Unfortunately the overseas surplus (that is, the balance of payments deficit with the sign reversed) seems to be rather obstinate.

So the public sector will have to oblige by crashing back into deficit next year. In fact there would be a public sector borrowing requirement this year if you counted asset sales as being a method of financing rather than as negative expenditure, as the Treasury does. It is still forecasting a £3bn surplus.

It is hard to believe, though, that a mini-recession on the modest scale officially forecast will be a severe enough correction for several years of excesses.

The company sector will bear the brunt but, fuelled by large pay rises and heavy increases in government spending, consumer spending will continue to forge ahead. Underlying inflation will ease only very modestly next year.

An overdose may kill, but if through nervousness you do not take enough of the medicine the fever may persist.

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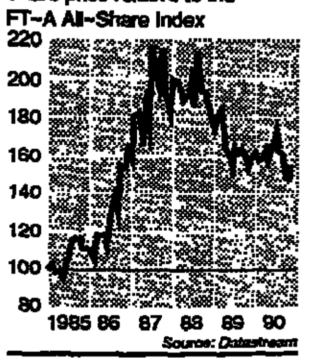
MARKETS

FINANCE & THE FAMILY: THIS WEEK

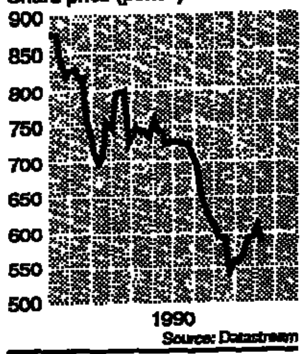
Reed International

Share price relative to the FT-A All-Share Index



Hammerson

Share price (pence)



A satellite take-off

The proposed merger between Sky Television and BSB, announced last week, helped to lift the shares of the parties concerned – namely Reed International, Pearson and *Granada which, together with Chargeurs of* France, are the main shareholders in BSB, and News International, the UK-quoted arm of News Corporation which owns Sky. Earlier in the same week, Reed International, publishing and information group, reported pre-tax profits of £109m for the first six months to September, *down from £128m for the* comparable period last year. But the share price rose on *news that turnover, operating profit and margins were* all up. *Sara Webb*

Hammerson dispels gloom

On Monday, the cloud of depression hanging over the property market lifted slightly after Hammerson confirmed *that it had let a large part of a City of* London development to National Power, the UK electricity generator. Hammerson's share price rose by 2 per cent, dragging *some of the other large property companies up behind it.* National Power's letting of over half Hammerson's development in Victoria Street, due to be completed in April next year, shows *that there is still tenant demand for property. However, the market's fundamental problem, the* glut of City office space, remains. *Vanessa Houlder*

National Insurance changes

People earning more than £390 a week (£20,280 a year) will pay an extra £3.18 a week (£165.36 a year) in National *Insurance contributions* if they are in Serps (State Earning-Related Pension Scheme) or an extra £2.50 a week (£130 a year) if contracted-out.

The chancellor's autumn statement kept the basic NI contribution rate for employees at 9 per cent for employees, but raised the ceiling on weekly earnings on which contributions are levied.

Their ceiling was increased by 11.4 per cent from £350 to £390 – the highest limit possible without a change in *primary legislation.*

The self-employed who earn more than £20,280 a year will pay an extra £133.89 a year in NI contributions. This is the result of two changes: the flat-rate Class 2 contribution has been increased to £5.15 a week (£267.80 a year); and there is a higher annual earnings band of £5,900 to £20,280 (instead of £5,450 to £18,200) on Class 4 *contributions.* *Eric Short*

Guaranteed bond from Skandia

Royal Skandia Life Assurance has launched a guaranteed performance plus bond, providing a combination of UK stock market performance and guaranteed returns.

Investors can choose the level of guarantee that they require, selecting either 70 per cent, 80 per cent, 90 per *cent, or 100 per cent guaranteed return of their original* investment.

The equity element is tied to an increase in the FT-SE 100 index over the three-year period. The bond matures on December 22, 1993.

The minimum investment is £3,000, and the closing date for subscription is December 4. *S W*

New offer on pension fund

Pensioners in the Imperial Tobacco pension fund will shortly be receiving a new offer from the management committee following a court decision last week.

The existing Imperial Tobacco scheme *is to be retained* and reopened to new members. Pensioners, both present and *future, will be offered a choice between a full pension which* guarantees RPI increases up to 10 per cent and a reduced pension which guarantees RPI increases up to 15 per cent. The proposal that existing employees will cease to pay contributions remains.

However, IMPAC, the pensioners' ginger group, is still convinced that Lord Hanson is seeking to scoop out the *alleged £230m surplus from the scheme. So they intend to* seek clarification as to whether the scheme will be open to Hanson employees other than those with Imperial Tobacco, and whether pension increases will be cut off at the guaranteed level irrespective of the actual rate of inflation (now above 10 per cent) and the financial position of the scheme. *E S*

Plug into a case of champagne

Readers can still win a case of champagne by entering our electricity privatisation competition. All you have to do is *predict*:

1. At the end of the first day of dealings, which of the 12 electricity companies will be standing at the largest premium (or smallest discount) to its offer price?

2. How many investors will apply for shares in the electricity companies?

Please send your answers on a postcard to: Mrs P Pandya, *Electricity Competition, The Financial Times, 1 Southwark* Bridge, London SE1 9HL.

Entries must be received by the first post on November 21. Should the issue fail to go ahead, the competition will be null and void.

No correspondence will be entered into and the Editor's decision will be final.

LONDON

'A board divided is ripe for takeover'

THEY HAVE been *building her* up for years: a glittering iron-*clad structure, visible for* miles around, a mighty symbol of Britain's preeminence.

But recently doubts have crept in; even those developers close to the project are worried she may turn out to be a white *elephant, a liability in Europe* rather than an asset. Rather than topping out, the Iron Lady looks like she may be toppling off.

This was a week for politics. The next few days – which offer hungry analysts a hamper of UK statistics to consume – may turn out to be a week for economics, but after three days of tight-lipped prime ministerial reassurance (about the cloud Ecu-land of European unity) and gritty determination (about possible leadership challenges), John Major's bleak forecasts in Thursday's autumn statement seemed to leave the equity market unmoved.

The fastidious chancellor again avoided using the word recession. His squeamishness on this point is beginning to look slightly ridiculous: by his own admission total UK output is likely to fall in the second half of 1991 from the first half, which meets the technical cri-*teria for the description. In any* case, there seems little doubt that the patient is sick, whether the doctors diagnose pneumonia or a slight chill.

After such a gloomy performance – the prospect of falling inflation next year was one of the only bright spots – the chancellor should have been about as popular as an oil company executive at a grand prix. But the FT-SE 100 Index, which reacted obediently to Wall Street's downward gyrations on Wednesday, actually rallied *somewhat after Major's speech,* and, in spite of the big Labour victories in two by-elections, Footsie finished the week 9.9 points higher at 2,040.6.

There does seems to be some underlying support for Footsie at about 2,000, but not surprisingly, strident noises from George Bush and Margaret Thatcher about the possibility of a violent resolution to the Gulf crisis are unsettling all world stock markets.

*At the same time, UK inves*tors may be conscious of a worrying bind which is likely to delay if not prevent a further cut in interest rates. Concerns about the future of the government are depressing sterling – which has languished below the DM2.95 central ERM level *since Sir Geoffrey Howe's res*ignation – thus reducing the chance of interest rate cuts, which in turn reduces the chance of a Tory victory in a general election.

John Banham, director gen*eral of the Confederation of* British Industry, recognised as much in his speech to the CBI's annual conference on Tuesday, urging unity on the fractious Conservatives: "A board divided is ripe for takeover." Shareholders in Britain plc are beginning to sound as fed up as some of their City counterparts.

Institutional disgruntlement – influential last week in hastening the departure of Bunzl's chairman and chief executive – resurfaced this week at Savage Group, a USM hardware company, where six institu*tional investors are backing an* attempted management coup.

Perhaps good fund managers are poised to rise up and punish bad company managers, but if institutions really want to improve the lot of less powerful *shareholders they will* need the assistance and advice of independent non-executive directors. When everybody is bleeding it is difficult for outsiders to decide which wounds are self-inflicted and which are simply the result of the economic rough and tumble.

In any case, boardroom reshuffles are not always enough to turn a company round, as the Labour party will no doubt find itself arguing if Thatcher is replaced before a general election.

*Some companies, for exam*ple, have to resort to disposals to counter tougher trading conditions. On Tuesday, Cookson Group – continuing its efforts to reduce debt a week after its chairman stepped down – *added £110m from the disposal* of its graphics subsidiaries to the £160m netted by last month's sale of its half-share in Tioxide, the pigments group.

Others are nurturing cash balances – boring, but apparently more remunerative than running a real business. Two *very different groups* – the fund manager Henderson Administration Group, and Associated British Foods – revealed this week they made more money *in the first half* from investment income and interest *receivable* than from trading operations.

Even the nation's telephones are falling silent, according to British Telecom's interim figures. Although pre-tax profits rose nearly 17 per cent to *£1.5bn in the six months to* September 30, and demand for inland services rose 6.2 per cent, the rate of growth was much slower in the second quarter.

In straitened times, fashion*ing a merger or agreeing a* takeover seem to be the easiest ways for British companies to compete internationally. Wiggins Teape Appleton (WTA), the paper company spun off from BAT Industries earlier this year, unveiled a merger with the French paper group Arjomari-Prioux on Thursday. WTA's shares – perhaps somewhat unnerved by the complexity of the deal – finished the week unchanged at 159p.

One of BT's biggest suppliers, STC, is also coming under new management. It was bound to happen once the UK group – Britain's last large independent manufacturer of telecommunications equipment – *had agreed to sell its 80 per* cent stake in ICL, the computer *manufacturer*, four months ago. On Thursday, it gave up the unequal struggle to maintain a position in the competitive global telecommunications market and recommended a takeover bid worth *£1.9bn from Northern Telecom* of Canada.

The bid is conditional on STC getting £743m from Japan's Fujitsu for its ICL stake, some time towards the end of this month. Nortel *already owns 27 per cent of* STC and offered 327p in cash *for each share.* STC's shares rose 11 per cent on the week to close at 314½p.

STC's chairman, Arthur Walsh, has never been dogmatic about the need to preserve British ownership at any *cost*, putting an admirable pragmatism above patriotism.

On the other hand, for all its inevitability, the STC takeover and the accompanying bleak economic forecasts from the chancellor suggest it may be a little while *before home-grown* manufacturers are strong enough to return their shareholders' calls: "British manufacturing industry can't come to the phone right now. If you'd like to leave a message, please speak after the tone and we'll try to get back to you as *soon as possible*..."

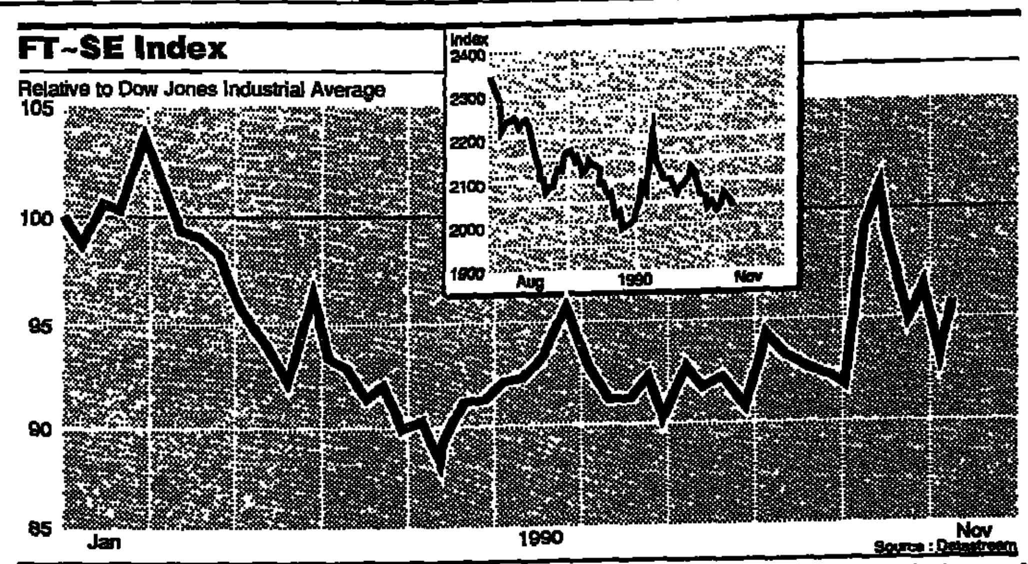
Andrew Hill

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1990 High	1990 Low	
FT-SE 100 Index	2040.6	+9.9	2463.7	1990.2	Political, Gulf uncertainties
Abbeycrest	88	-43	211	88	Warning of profits shortfall
Bibby (J)	127	+13	159	107	Increased annual profits
Burmah Castrol	452	-15	698	443	Formal offer for Foseco
Colefax & Fowler	65	-26	180	52	Profits warning
Cookson	90	+9	306	48	Further asset sale reduces debt
Davy Corp	69	-16	264	64	Continuing worries over contracts
ECC	293	-26	481	273	Doubts cast on 1991 dividend
Excalibur	51	-12	81	51	Rights issue raising £8.5m
Hammerson A	589xd	+33½	859	510	Lets City office development
Lloyds Bank	270	+18	316	220	Broker recommendation
Reed Intl	358xd	+23	475	328	Sky/BSB merger
STC	314½	+32½	315	231	£1.9bn agreed bid from N Telecom
Unilever	612	-31	738	585	Third-quarter results disappoint
Yale & Valor	158	-41	329	158	Analysts slash profits forecasts

FT-SE Index

Relative to Dow Jones Industrial Average



WALL STREET

Waiting for the bad news

WITH JUST 29 firing days left until Christmas, Wall Street is bracing itself for the most miserable festive season in at least a decade.

A new round of job cuts is taking a heavy toll among the elite corps in security houses' investment banking divisions, which carry out jobs such as corporate finance, securities underwriting and takeover advisory work.

Until now, this side of the *business has been much less* affected by Wall Street's contraction than securities trading, which has gone through successive prunings since the 1987 market crash. For with the takeover boom continuing well into *1989*, lots of work remained for the investment bankers, with big fat fees attached.

But not any more. Underwriting fees have collapsed, along with takeover activity. Merger and acquisition activity in the US *dropped 50 per cent in value* terms in the first 10 months of this year, according to figures produced this week by IDD Information Services.

And with the economic outlook more and more bleak, *Wall Street has abandoned* the optimistic view which prevailed earlier this year that an upturn might be expected in 1991.

In this week alone Prudential-Bache Securities said it would lay off about *120* of its 180 investment bankers, *while Merrill Lynch laid off* another 50, and there are rumours, officially denied, of much more blood-letting at First Boston. The leafy suburbs around New York, which grew fat on the *financial excesses of the 1980s*, face a belt-tightening festive season.

Nor is there going to be much Christmas cheer elsewhere. Figures this week *on October retail sales indicate that a sizeable slowdown in* consumer spending is under way, just as stores approach the period which is usually their busiest and most profitable.

Wall Street is looking for another round of monetary *easing from the Federal* Reserve to help stem the recessionary tide, and press rumours this week that the Fed might be moving in this direction gave a brief fillip to bond prices. Another quarter of a percentage point cut in the Fed funds rate could *be triggered* when the Fed's Open Market Committee meets on Tuesday to review credit policies.

But the greatest factor *swaying the market remains* the Middle East crisis, with equity and bond prices yo-yoing up and down as the prospects of war rises and falls.

Bellicose remarks by Margaret Thatcher, the British prime minister, in London on Wednesday helped cause the biggest downward day's movement this week of the *Dow Jones Industrial Average.* News that President Bush was despatching many more troops to the area then helped calm the market, on the grounds that this might help force a peaceful solution, or at least meant war was now *unlikely* until early in the New Year.

Yet for all the market's feverish reaction to the latest rumours of war, equity indices continue to trade in the fairly narrow bands they have occupied since recessionary fears really took hold in mid-September. Since then the Dow has not closed above 2524 nor below 2365, and in the last three weeks the range has been ever narrower – less *than 90 points.*

This week's mid-term elections had a minimal effect on the markets, for the losses suffered by the Republicans were not on a scale unusual for this part of the electoral cycle. Furthermore, several leading Democrats seen as *potential Presidential* challengers to Bush in 1992 *turned* in lacklustre performances. So while the President may be under attack for his leadership qualities, or lack of them, the Democrats do not yet have a credible national leader to put up *against him.*

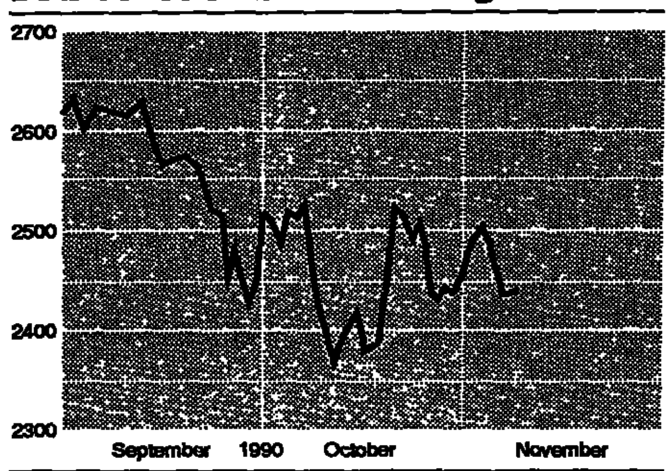
Any break out of the current narrow trading range looks more likely to be on the downward than upward side, as long as the Middle East crisis continues. And the *equity market may not have* taken full account yet of the likely *depth of the coming* recession. Stocks are still being marked down sharply each time a company announces lower than expected profits or issues a warning about its prospects. *Steven Einhorn, portfolio* strategist at Goldman Sachs, argues that profit expectations are still overly optimistic.

One sector in which that is probably not true is the airline business, since the *market is already bracing* itself for a terrible shake-out in the coming months. The sharp rise in the cost of fuel and a weakening passenger volume is expected to produce combined record losses of $1bn *or more in the fourth quarter,* and several carriers are in dire straits.

Monday	2502.23	+ 11.39
Tuesday	2485.15	– 17.08
Wednesday	2440.84	– 44.31
Thursday	2443.81	– 2.97

Martin Dickson

Dow Jones Industrial Averages



Smaller Companies

Reforms, but not enough

THERE WAS A rude awakening this week for anyone led by recent press reports into believing that reforms at the International Stock *Exchange were about to create* a thriving market in the shares of the 1,000 or so publicly-traded smaller companies.

The way in which such shares are traded on the market does make a difference to investors, but only in a minor way. Tinkering with the trad*ing system, as the Interna*tional Stock Exchange did this week, will not solve the basic problem: that many shares are unmarketable when stock markets and the economy are going through uncertain times.

This should be a big concern to anyone who owns shares in smaller companies. If market makers (the professionals who undertake to buy or sell shares at quoted prices) find themselves holding shares that they *cannot sell on*, they quickly begin to widen the gap between their buying and selling prices to protect themselves. That hurts investors.

Take Crown Communications, which was quoted on the market yesterday at 73p – 80p. The width of this spread means that anyone buying at 80p would have to see a share price rise of 7p, or nearly 10 per cent, before being able sell out to break even – and that does not include the substantial costs of buying and selling.

> 'Your broker may be able to negotiate with a market maker to obtain a better price'

Of course, your stockbroker may well be able to negotiate with a market maker to obtain a better price than the one quoted. This is what brokers are paid a commission for: make sure that they earn it.

Worse still, the price could plunge if a large shareholder sells out. A large bargain affects the price of an illiquid share more drastically than a large, liquid one.

Meanwhile, faced with a low *level of business, several* market makers have either cut back the number *of small com*panies for which they quote prices, or have pulled out altogether.

It is against this background that the Exchange has come up with a number of changes to the way smaller company shares are traded. The following are the main points:

- There will have to be at least *two market makers quoting* prices for every company. This change is welcomed by the professionals – being the only market maker in a company is a bit like playing poker on your own, one comments. But it will not affect wide spreads and so makes little difference to investors.
- *Market makers will not have* to publish their transactions until the day after they take place. This is designed to protect them: if they have bought a large amount of shares, for example, they do not want everyone else in the market to know immediately, or the price *will fall.*

In theory, this should also benefit investors. However, market makers say that the one-day rule is not long enough, and so will make little difference.

- *Market makers will get first* bite at some stock market business that does *not come their* way, but is carried out by stockbrokers who match buy and sell orders among their clients. This will ease their predicament, but only slightly.
- When companies are floated, their shares *will* have to be spread more widely. This is *meant to tackle another prob*lem with smaller companies: that the few shares they release to the stock market tend to concentrate in few hands, which means that there is only ever a small "float" available *to create a market.*

For new share issues worth less than £15m, 5 per cent of the shares will have to be placed with a market maker independent of the broker which sponsors the issue. *Perhaps of more value* to investors, in issues worth between £15m and £30m a quarter of the shares must be made available to investors generally.

This will make it possible for investors who are not clients of *the particular broker sponsor*ing the issue to get in on the act – a welcome change from the current system. Market professionals doubt, however, whether this will make much difference to the on-going mar*ket in the shares of a company* after it has been floated.

So what else could the Exchange have done? Perhaps force companies to release a larger proportion of their shares to the public when they float – say, 35 per cent rather than the current 25 per cent. This would *create more of a* market.

Or it could have speeded up the introduction of a different, order-driven trading system. This would match buyers and sellers directly, cutting out the middle-man and *giving inves*tors a better price. However, such systems only work where there are enough buyers and sellers to keep a market going.

It could not do the only thing guaranteed to bring life back to the market for small company shares: engineer *another bull market.* Until that happens, many investors will have to *sit tight* and be patient.

Richard Waters

Illusory profits from oils in troubled waters

WHEN British Petroleum announced on Thursday that its profits quadrupled, the House of Commons went into an uproar with talk of a fresh investigation into oil company *profiteering.*

Meanwhile, the stock market yawned and knocked 4p off BP's share price on the day. Indeed, in the last three months, while oil prices soared and other companies found *profits squeezed*, BP outperformed the market by a mere 2.4 per cent. Shell, BP's much bigger rival was up by just 0.9 per cent compared to the market average.

Are the oil companies on to a bonanza that has yet to be reflected in share prices, or does *the professional invest*ment community know some*thing that Members of Parlia*ment do not?

Unfortunately, for anyone looking to make a quick profit in share dealing, the professionals have almost certainly got it right, although this is not to suggest that Shell or BP would be a bad investment.

Shell's headline-catching £1.09bn in after tax profits, a 68 per cent year-on-year rise, and BP's earnings of £822m are in the main a statistical illusion based on stock market accounting rules. BP and Shell are required at the end of each accounting period to put a current value on all the oil and refined products they hold in stock, whether it be in ships, refineries, pipelines, or in trucks for delivery to petrol stations. Any rise or fall in value from the purchase cost then becomes a profit or a loss and this is called the historic cost profit. From the start of July to the end of September, the value of these stocks could easily have doubled.

Yet *in practical terms the* biggest effect of this rise in value is probably to increase working capital requirements and, increase interest payments to finance the purchase more expensive stocks. As much as 90 per cent of oil stocks held by the companies cannot be sold. That much oil has to kept in the system in order to keep it running. The remaining discretionary stocks can be used to boost profits by anticipating high or low prices. Yet most *oil companies operate* a minimum stocking policy because it is impossible to anticipate future oil prices consistently correctly, and carrying stock costs money.

When oil prices come down again eventually these stockholding profits will turn into steep losses on paper, but that will be unimportant too.

The profit figure to watch is the replacement cost profit (*which Shell calls current cost* profit). This is based on the *principle that since oil refining* and marketing companies are constantly buying and selling roughly the same amount of oil, the important question is whether they can pass on rises in cost *to* customers or, conversely, keep a good margin when prices are falling. What the oil they keep in their systems is worth is largely irrelevant, since it must be replaced at the going price.

On this score, both BP and Shell did badly in the third quarter. Shell, for example, made profits of just £110m during the period, compared to £310 a year ago. Although Shell made reasonable returns processing oil in its own, generally sophisticated, refineries, it *could not pass on the higher* prices to is retail customers.

Naturally, both BP and Shell made much more money selling oil they produced, but not enough to compensate for lower earnings in marketing and refining.

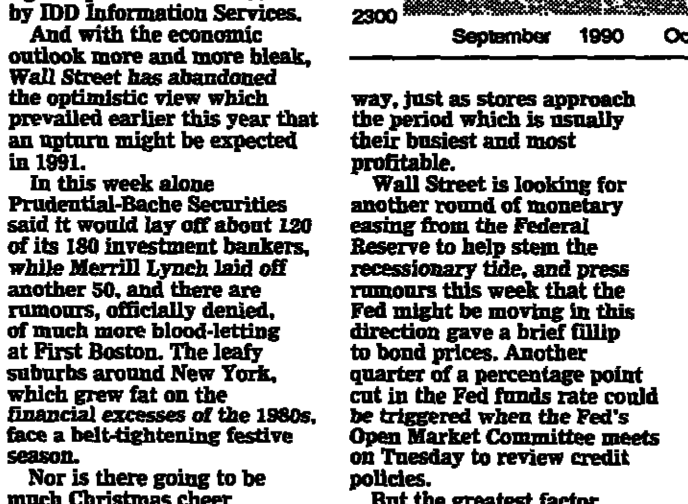
The fourth quarter ought to *be better for both companies.* Oil prices are high and there *has been relatively more stabil*ity in the refining and marketing side of the business. Other things being equal, this should allow margins to return to reasonable levels. However, with tension in the Gulf remaining high, with the possibility of a war sending *oil markets into* spasms, there is little guarantee that there will be enough stability to allow profits to rise.

On balance, oil companies are *likely* to do better out of the Gulf crisis in the coming months as the full impact of higher oil prices comes through, but the uncertainties are huge. BP should be the better performer if prices stay high because the company is structured to gain faster when *oil prices rise.*

Both companies are attractive, however, mainly because of the relative stability of earnings and their ability to pay a dividend, almost regardless of the oil price. It is because of this that they have sharply outperformed the market for *the past year, with Shell up* nearly 19 per cent, and BP by *more than 25 per cent com*pared to the market average. Oil companies have proved relatively good investment vehicles during a recession.

Steven Butler

BP net earnings



FINANCE & THE FAMILY

Capital Gains Tax is unpopular, can be expensive and is often complex to calculate. **Sara Webb** picks her way through the minefield

The tax they love to hate

CAPITAL gains tax (CGT) is probably the tax that investors least like to pay. Income tax is deducted from their investments almost without them noticing, and inheritance tax becomes someone else's problem for a late investor. But CGT is a bore: it can be complicated calculating how much you owe and it often takes a hefty chunk off your gains.

Only 145,000 people paid CGT in the 1989/90 tax year compared with 25.1m people who paid income tax. Those 145,000 probably resented paying every penny. However, it is possible to structure your investments so that you avoid CGT or at least reduce your liability, partly by using your allowances carefully and partly by looking at exempt investments or tax-proofing methods.

CGT is payable on the increase in value of an asset when you dispose of it – either by selling it or sometimes by giving it away. As with income tax, there are two rates: 25 and 40 per cent.

There is an annual exemption – £5,000 for the 1990/91 tax year – which means that the first £5,000 of gains are tax-free. Before the introduction of independent taxation last April, husband and wife were only entitled to a single allowance between the two of them. Now each gets an allowance, which provides some couples with considerable scope for tax planning.

Since one spouse cannot transfer his or her allowance to the other, it may be necessary for couples to rearrange their assets. It often makes sense to transfer assets to the spouse with the lower tax rate and with the most relief or available losses for offsetting against gains.

It does not count as a disposal if you give something to your husband or wife, provided you are not separated. Where assets are still jointly owned, the tax inspector assumes they are owned equally, so gains or losses are divided 50:50 between the two of you, unless you specify (with a declaration of beneficial interests) otherwise.

Your allowance of £5,000 cannot be carried over to the next year if you do not use it up in a particular tax year. However, if you find yourself in that situation, it may be a good idea to look at your portfolio and see whether you have any investments where the capital gain is quite large: then you could "bed-and-breakfast" the investment – sell it and buy it back at the same price – as this raises the threshold for subsequent CGT calculations when you do dispose of the asset.

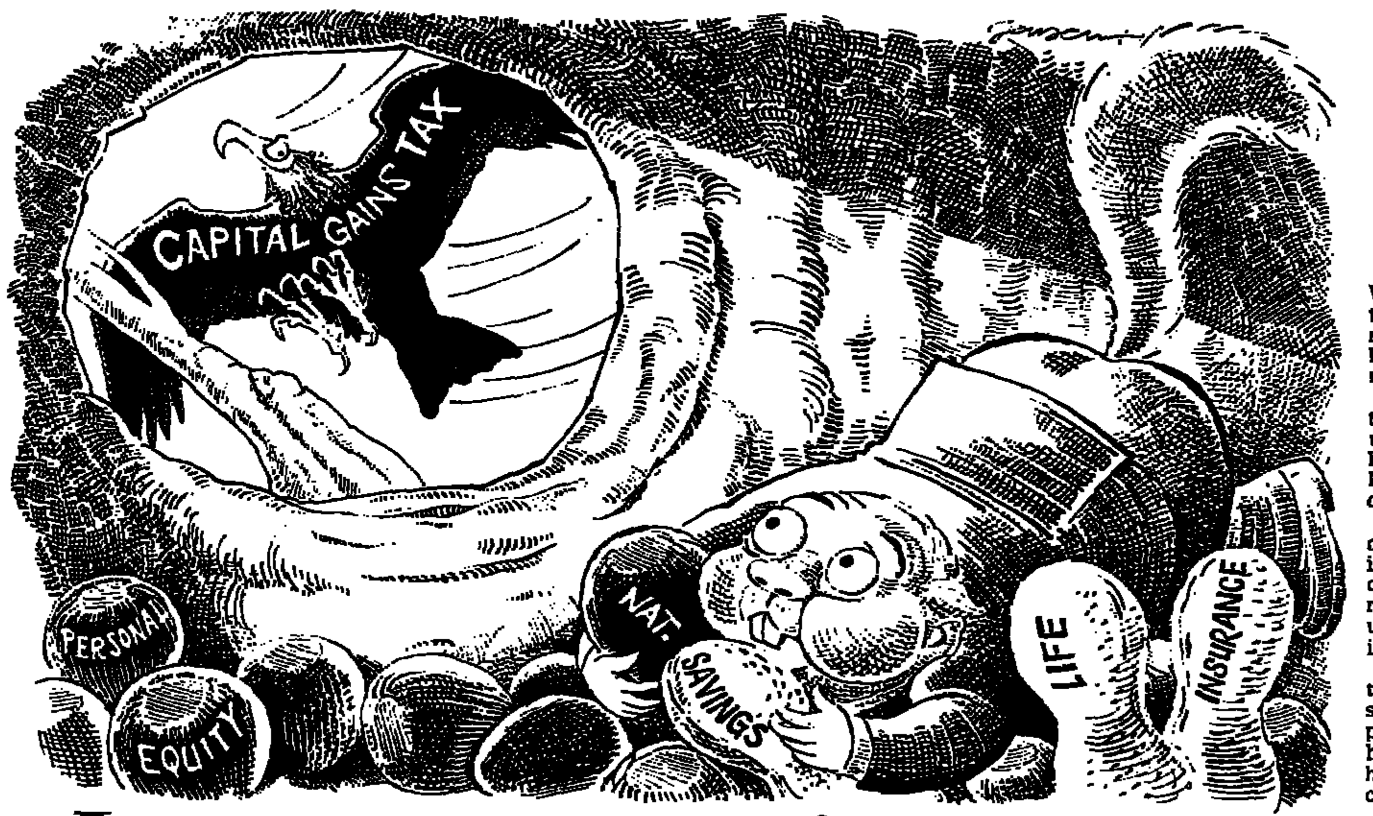
You should take care when planning disposals. If possible space them out so that you use up your allowance, or as much of the allowance as possible, each year. If you have made a capital loss it may be possible to offset it against a capital gain for the same year or to carry it over to set against gains made in later years.

Only capital gains made since March 31 1982 are taxable, and Anthony Casswell explains in the accompanying article how to calculate your CGT liability after taking account of inflation. You should take these steps:

- calculate the final value of the asset;
- calculate the initial value of the asset and deduct it from the final value;
- deduct any allowable expenses incurred in buying and selling the asset;
- index the resulting gain;
- deduct any losses from the same tax year or, if you do not have any, offset losses remaining from previous tax years;
- use the £5,000 allowance.

Expenses incurred in acquiring and owning the asset, for example payments to advisers such as accountants or solicitors or advertising to find a buyer, disposal costs, and the amount you spend on improving the asset can be deducted.

When you come to calculate your CGT rate you add your net chargeable gains, after deduction of the £5,000 allowance and losses carried over, to your taxable income, and it is then taxed in the same way as income – ie if it exceeds £20,700 it will be taxed at 40 per cent, if less, at 25 per cent.



Investments outside the net

IF YOU want to avoid paying capital gains tax, you do have some freedom when it comes to picking your investments.

For the cautious, National Savings products such as savings certificates, yearly plans (and premium bonds) are all free of income tax and CGT.

At present, the 35th issue of savings certificates is paying 9.5 per cent per annum compound guaranteed over five years, a return below inflation.

However, the fifth index-linked issue provides inflation-proofing plus a guaranteed additional interest of 4.5 per cent per annum compound over five years.

With the yearly plan, you receive interest of 9.5 per cent per annum compound if you make 12 monthly payments and hold on to the certificate for a further four years.

Premium bond prizes, which range from £50 to £250,000, are also free of both income and capital gains tax. You can buy premium bonds for between £100 and £10,000.

Gilts, another staple for the cautious investor, are exempt from CGT, but you may find you are liable to pay income tax on any income you receive.

Probably the most effective way to avoid CGT on riskier investments such as shares, investment trusts and unit trusts is to use a Personal Equity Plan (PEP).

You can only invest in one PEP a year, and the maximum investment for the 1990/91 tax year is £6,000, although the limit has gradually risen over the last couple of years and will probably continue to do so. You have a choice of investing up to £6,000 in shares, or of having a combination of up to £3,000 worth of unit trusts/investment trusts, and the remainder in shares.

Obviously with a maximum investment of £6,000, PEPs will not do much to cut the tax bills of the very rich. However, if you are in the 40 per cent tax band, are likely to use up your £5,000 CGT allowance each year, and want to build up your investments gradually, you should consider taking out a PEP each year: over the long-term, the growth of your investment should be further increased by the reinvestment of income.

Life assurance policies and deferred annuities are exempt provided the original policyholder disposes of them, and not somebody else who has bought the policy "second-hand."

At the riskier end of the investment spectrum you will find that shares in Business Expansion Schemes issued after March 18 1986 are free of CGT if you hold on to them for five years and provided you are the first holder of the shares.

Gambling, lottery and pools winnings are not taxable, but if you were to invest your jackpot in something else, such as a portfolio of shares, it might in turn be a taxable asset.

Other exemptions include:

- Your main or only home. If you have a second home – even if it is abroad – you can inform the Inland Revenue as to which of the two homes is your main residence for CGT purposes. If you do not, the Inspector of Taxes can decide which one is your principal private residence.
- Personal belongings with a life of less than 50 years such as wine, racehorses or yachts, known as wasting assets.
- Personal belongings with a life of more than 50 years are exempt if they sell for less than £6,000. If they exceed the £6,000 limit, the size of the taxable gain is restricted to 5/3 of the excess over the £6,000 limit.
- Foreign currency which is for private use, for example on holiday.
- British money.
- Commercial woodlands.
- Private cars, including vintage cars.

And for those like Jeffrey Archer who are attacked in the press:

- Compensation for personal or professional wrongs such as damages for libel.

S. W

BRIEFCASE

Crucial dates for shares

WEAK STOCK markets over the last three years have meant that many investors have experienced capital losses rather than capital gains.

This is particularly true for those loyal small shareholders who backed companies such as British & Commonwealth and Polly Peck, which have collapsed.

Although the main concern of such unfortunate investors is whether the company in question will eventually recover, they may also be uncertain as to their position in relation to capital gains tax.

It would be doubly annoying to pay CGT on the one or two successful shares in your portfolio when your portfolio had suffered because of holdings in one or more collapsed companies.

The following letter was sent in by a reader who had invested in a company which subsequently collapsed. The reply, by one of our tax experts, sets out the steps you should follow.

Other questions regarding CGT are answered in the special briefcase column on Page V.

I hold Ordinary Shares in British and Commonwealth which are no doubt now worthless.

Please let me know: Can I now offset this loss against other gain for capital gains tax purposes?

If not, when is the Inland *Revenue likely to accept* that they are worthless?

Up to which month/year can I index the loss ie is it the date the administrator/receiver was *appointed or the date the* company was finally wound up?

If the Revenue states that the shares are worthless in, say, March 1991, can I only utilise the loss in the financial year 1990/91 (as I already have considerable gains in this tax year I assume I cannot carry the loss forward)?

- Provided that you will have sufficient net capital gains in the current tax year (after offsetting other allowable losses and the £5,000 exempt amount) to absorb the prospective allowable loss, you should write to your tax inspector, along the following lines, on or about Tuesday April 2 1991:

"In accordance with section 22 (2) of the Capital Gains Tax 1979, I claim that the value of my holding of . . .shares has become negligible, namely one penny, and that I should therefore be treated as though I had sold those shares today, April 2 1991, for that sum and immediately reacquired them for the same sum, in circumstances falling outside Section 66 of the Act.

"In order that submission of my tax return is not held up by any delay on your part, please let me have your decision on this claim within 30 days."

Section 22 (2) says: "If, on a claim by the owner of an asset, the inspector is satisfied that the value of an asset has become negligible, he may allow the claim and thereupon this Act shall have effect as if the claimant had sold, and immediately reacquired, the asset for a consideration of an amount equal to the value specified in the claim."

The claim should not be made before April (in order to secure the maximum indexation relief) but should be made in time to reach the tax office by the end of the tax year, April 5.

There is an automatic deemed disposal on the day on which a company is struck off, regardless of whether a section 22 (2) claim has been made.

We could have given you a slightly more helpful reply if you had been willing to disclose the full history of your B&C shareholding, including precise dates and figures.

If you have not already seen copies, you may like to ask your tax office for the following free pamphlets: CGT14 Capital Gains Tax – an introduction; CGT16 Indexation allowance – disposals after April 5 1988.

Anthony Casswell makes some cool calculations on shares

How to do your sums on that tax bill

IF YOU have a portfolio of shares, do you know how each one has performed against inflation and against other shares generally? If you are wondering whether to sell, can you easily calculate the capital gains tax liability?

Although you may make – or receive – periodical valuations of your portfolio, comparing the current market value of a share with the original cost may give a misleading idea of how it performed relative to the market or relative to inflation.

For example, a share you have held a long time may show a big cash gain though its real value against inflation has fallen. In such a case, you will probably not have to pay any gains tax.

Even if the share's value has risen faster than inflation it may not have done well compared with shares generally – or indeed other types of investment.

So to keep a proper track of the performance of your investments, you need to be able to compare their current value with the original cost revalued in terms of inflation and of a general index of share prices.

This can be done quite easily. For inflation purposes, you can assess your shares in relation to the official Retail Prices Index (RPI). This is published by the Central Statistical Office mid-monthly, covering the previous month's prices.

The RPI is used as the basis for the annual increase in state retirement pensions, some social security benefits and the values of index-linked National Savings contracts and government stocks. And it has been used by the Inland Revenue for the indexation of share costs for capital gains tax since March 31 1982.

A simple method is to divide the cost of a share by the RPI for the month of acquisition; call this the "INDEX BASE" and record its value alongside the other details of your holding.

At any time thereafter you can multiply your INDEX BASE figure by the latest RPI to show the cost of your holding in terms of today's money. Let us call this the REAL COST.

By comparing the REAL COST with the current value of a share you can quickly check how it has done relative to inflation. The same comparison will normally provide you with a good approximation of the current gain or loss for capital gains tax purposes.

Retail price index March 1982-present

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1982			79.44	81.04	81.62	81.85	81.88	81.90	81.85	82.26	82.66	82.51
1983	82.61	82.97	83.12	84.28	84.64	84.84	85.30	85.68	86.06	86.36	86.67	86.89
1984	86.84	87.20	87.48	88.64	88.97	89.20	89.10	89.94	90.11	90.67	90.95	90.95
1985	91.20	91.94	92.80	94.78	95.21	95.41	95.23	95.49	95.44	95.59	95.92	96.05
1986	96.25	96.60	96.73	97.67	97.85	97.79	97.52	97.82	98.30	98.45	99.39	99.62
1987	100.0	100.4	100.6	101.8	101.9	101.9	101.8	102.1	102.4	102.9	103.4	103.3
1988	103.3	103.7	104.1	105.8	106.2	106.6	106.7	107.9	108.4	109.5	110.0	110.3
1989	111.0	111.8	112.3	114.3	115.0	115.4	115.5	115.8	116.6	117.5	118.5	118.8
1990	119.5	120.2	121.4	125.1	126.2	126.7	126.8	128.1	129.3			

Figures have been adjusted to reflect the rebasing of RPI in January 1987 from 394.5 to 100, rounded to four significant figures.

FT-A All-Share Indices January 1980-present

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1980	251.7	263.8	240.4	249.5	243.6	269.5	282.3	282.5	290.3	306.3	307.3	292.2
1981	289.0	304.2	309.7	332.1	315.6	320.6	319.4	334.6	278.5	286.3	315.1	313.1
1982	330.9	316.9	326.6	326.7	337.5	322.8	333.9	343.3	361.8	369.7	375.4	382.2
1983	395.0	399.3	411.9	439.3	437.6	458.9	446.0	450.4	445.3	437.4	461.9	470.5
1984	501.4	493.1	524.2	534.8	477.2	487.7	474.8	520.5	535.9	543.5	560.3	592.9
1985	614.6	608.3	616.2	622.1	634.2	595.5	606.4	646.3	626.2	670.6	696.5	682.9
1986	696.4	750.8	810.5	816.4	788.9	815.7	771.8	817.1	768.8	807.3	815.3	835.3
1987	903.3	983.1	1000	1024	1097	1153	1202	1147	1209	887.3	796.3	870.2
1988	915.8	908.1	896.7	928.2	923.5	963.0	965.2	911.2	946.3	965.5	933.4	926.6
1989	1055	1043	1076	1090	1091	1102	1173	1207	1170	1081	1139	1205
1990	1167	1122	1115	1043	1154	1171	1147	1051	962.2	992.7		

Figures for the last working day of the month to four significant figures

For example, suppose that you bought 1,000 Abbey National shares at a cost of £1,300 in July 1989. The RPI was then 115.5 so the INDEX BASE is 11.25 (£1,300 divided by 115.5).

On November 2 the shares were standing at 210p, indicating a value of £2100. You considered taking your profit, subject to your capital gains tax liabilities.

The latest published RPI was then 129.3, for September, giving a REAL COST of £1,455 (11.25 x 129.3) and a maximum chargeable capital gain of £645 (current value less REAL COST.) Suppose that you sold your shares and that after expenses you received £2,060.

Your cash gain would have been £760 (£2,060 less £1,300) but the chargeable capital gain would be lower – around £605 (£2,060 less £1,455).

The actual figure will be slightly less than this because the RPI for the month of sale, November (which will not be known until mid-December), will be more than 129.3.

This is not the way the Inland Revenue does its sums but it works.

The table shows monthly figures for the RPI since 1982, so you can work out the INDEX BASE for each of your shares. The rules, rates and exemptions for CGT have been changed frequently over the years but for disposals after April 5, 1988, the value on March 31 1982, is taken as the base value for assets acquired on or before that date.

If this gain exceeds the result of calculating the indexation from a purchase date earlier than 1982, the smaller figure is used for CGT purposes. In the case of a loss, the smaller figure is also used. If one calculation gives a gain and the other a loss, no gains tax is due.

Shares bought after March 1982 must be indexed for CGT purposes from the date of acquisition.

To avoid complications, it is easiest to index all shares bought before March 31 1982 from that date. Capital gains made before that date are tax-free, provided the disposal was made after April 5 1988.

Apart from calculating the capital gains tax liability, the investor may want to keep a check on how a share is performing relative to the stock market as a whole. The best yardstick for comparison is the Financial Times-Actuaries All Share Index, compiled from nearly 700 constituent shares. The method is just the same as that for indexing against inflation, except that the All Share Index is used instead of the RPI.

So, first divide the cost of the share by the value of the All Share index at the time of acquisition, to get a figure which we will call the ALL SHARE INDEX BASE. Record this value alongside the other details of your holding. At any time afterwards you can multiply this base figure by the current value of the All Share index. The result will be the value that your holding would have reached if it had risen (or fallen) exactly in step with the rest of the market.

It is easy to check this calculated value (indexed to the All Share) against the quoted value of your holding to see if your stock has out-performed or under-performed the market as a whole.

Suppose, for example, that you held 1,000 ordinary shares in the Shell Transport and Trading Company on March 31 1982, when the value was £3,800. From the table you can see that the All Share index was then 326.6. Your ALL SHARE INDEX BASE is therefore 11.64 (£3,800 divided by 326.6). By November 2, 1990, the All Share index had risen to 982.5. So multiplying this by 11.64, gives you £11,436, the value that your Shell shares would have attained if they had risen in line with the market

In fact, Shell's shares on November 2 1990, stood at 445p, so the actual value of your holding was £13,350, comfortably ahead of the market

This is not solely due to the Gulf crisis: the highest prices for Shell shares in previous years were 465p in 1989 and 508p in 1987, after adjusting for the scrip issue.

William Hall assesses the prospects for investors in the latest Eurotunnel issue

Inflation undermines tunnel returns

THE FIRST thing to do before you sit down to read through Eurotunnel's 100-page prospectus, is to decide what type of investor you are.

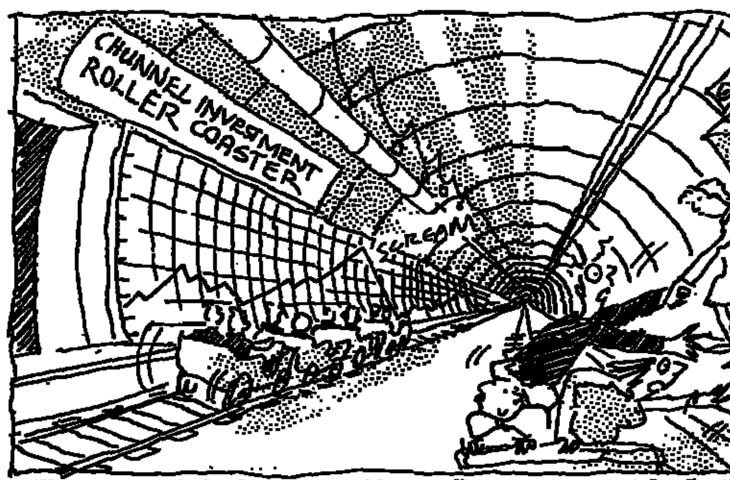
If you are interested primarily in the cheap cross-channel fare perks, then there is no point reading any further. Similarly, if you want to invest in Eurotunnel for the same reasons that nostalgic Germans are still buying bits of the Berlin Wall, you might as well chuck the prospectus in the bin. Even serious investors might wonder whether their time might be better spent doing something else, given how wildly inaccurate the first 1987 pathfinder prospectus has turned out to be.

Eurotunnel is one of the world's great construction projects, on a par with the building of the Suez and Panama canals. There is little doubt that it is going to be built, and it is hard to imagine it not being a great commercial success. What is far less clear is whether it will ever rank among the great investment success stories of the next century. Could it match the huge capital appreciation over the last couple of decades of the likes of BTR and Glaxo or will its shareholders end up like those in Polly Peck?

For a company with a stock market capitalisation of over £2bn, Eurotunnel is poorly researched by the City. Investors are either believers or non-believers and there is little common ground. Richard Hannah, a respected transport analyst with UBS Phillips & Drew, says he would not touch the investment "with a bargepole at current prices". Michael Hart, joint manager of Foreign & Colonial, the UK's biggest investment trust and one of the most successful, has invested more than £10m in Eurotunnel and is taking up the rights. "We are risk-takers and believe in the project", says Hart, who has been looking after F&C's investments for over 30 years.

Even the greatest bulls of the Eurotunnel project would admit that it has been a disappointment. It was originally supposed to cost £4.8bn to build. The figure is now £7.6bn, and before investors get too carried away with all the razzmatazz of the historic breakthrough under the Channel, they should remind themselves what this rights issue is all about. They are being asked to find more money for a project which they were supposed to have fully paid for three years ago. It is the ultimate example of dilution. The new money is not going to generate more profit, just to protect the investment from going bust. The fact that a deeply discounted rights issue has had to be underwritten at all, reflects the project's substantial risks.

Meanwhile, the promised returns have been delayed. Three years ago investors paid £3.50 per unit for a share in a project which promised to pay a 39p dividend in 1994/95. They are now being asked to increase their investment by 50 per cent, and will be lucky to see their first dividend of 21p per unit before 2000. Three years ago, the promoters were projecting that the original investment would be yielding well over 30 per cent by then. On the basis of the revised forecasts the prospective initial yield on the ex-rights price is around 7½ per cent, rising to 25 per cent by 2003, which is still less than half the comparable yield projected in 1987.



Given that the regional electricity companies are being floated on a current yield of around 8½ per cent, Eurotunnel's promoters have a tough job on their hands. Luring investors into a secondary offering is always more difficult than an initial privatisation since the sponsors have less flexibility to bribe investors. Hence the deep discount and Eurotunnel's emphasis on perks.

Eurotunnel's biggest problem has been that inflation and interest rates have been far higher than expected and this plays havoc with cash flow projections. The Panama canal paid 2 per cent for its money, the Suez canal borrowed fixed rate money at 8 per cent. But Eurotunnel is having to pay well over 10 per cent for floating rate money. The punitive arithmetic of compound interest not only plays havoc with Eurotunnel's financial projections but means that the more conservative investment institutions require a shorter pay-back timetable. The big problem with Eurotunnel is that the payback period has been steadily extending.

Under the initial 1987 projections, Eurotunnel's financing charges would have peaked at £351m in 1994. The peak figure now is £571m, and instead of showing positive interest earnings 20 years after opening, Eurotunnel will still be hit by a bill of over £300m a year, and will not stop paying interest until a few years before the concession ends. Ten years after opening pre-tax profits of £558m will still be 40 per cent lower than projected three years ago, and the figure would have looked even worse if the depreciation treatment had not been changed. Meanwhile, the reduction in dividend payments has been cushioned by a sharp drop in projected tax payments.

More than any investment, Eurotunnel is a salutary reminder of the distorting influence of inflation. Under its original inflation projections, the value of £1 now is equal to £22.39 in 50 years time. A modest downwards revision in Eurotunnel's inflation forecast means that the same estimate now is £11.67. These sorts of variations help explain why it is so difficult to put a proper value on Eurotunnel. In the 1987 prospectus, the base case net value of Eurotunnel's shares in 1995 was put at £24. This has been revised down to £16 by mid-1999 in the latest projections.

No-one is predicting that any of these calculations will prove correct. But it does highlight how a modest move in the inflation assumptions can either make or destroy the financial success of this project. In place of the construction risks, investors now need to concentrate on the commercial and operational risks, and here the upwards revision in traffic forecasts is encouraging.

But in the end, all the financial calculations are relatively meaningless. Investors in the rights issue need to be guided by their instincts. They could lose all their money or make a killing. The gap between success and failure has narrowed considerably since 1987, but that should not deter the real risk-takers.

Putting a value on a portable pension

YOU are legally entitled to a pension when you retire if you have been in a company pension scheme for at least two years, even if you leave the company.

However, you do not have to leave those pension benefits in your former employer's scheme. You have the right to take the cash equivalent of the deferred pension, known as a transfer value, and invest itin another pension scheme.

The right to transfer benefits can be exercised by employees at any time from the date they leave a company until one year before they reach normal pensionable age under the old scheme.

One might assume that two employees in identical circumstances with the same deferred pension, though in different schemes, would be given identical transfer values. But this is rarely the case.

The calculation of the transfer value in a final salary scheme essentially involves ascertaining the eventual pension payments and discounting those payments back to the time of transfer.

This involves making assumptions about the future inflation rate, future pension increases, the expected return on the underlying fund and the mortality rates of employees and pensioners.

The responsibility for calculating transfer values rests with the actuary of the scheme. When the government drew up the relevant regulations, it made no attempt to set down the basis or assumptions on which transfer values should be calculated. Instead, this responsibility was delegated to the actuarial profession itself.

The two professional actuarial bodies in the UK, the Institute of Actuaries in London and the Faculty of Actuaries in Edinburgh, fulfilled this responsibility by issuing a Guidance Note – GN 11 – which gave pension scheme actuaries considerable flexibility to exercise their judgment when calculating transfer values.

The two most significant factors in calculating transfer values are future pension increases and the rate at which benefits are discounted. GN 11 states the following about these factors:

Pension increases

Guaranteed increases must be taken into account automatically. But allowance for future discretionary increases would be made after discussion with the trustees/employer on future policy regarding these increases. The wording is so loose that in effect the trustees/employer have the final decision on what allowance, if any, is made for future discretionary increases.

Many employers, trustees and pension administrators still have an unfriendly, if not hostile, attitude towards employees leaving the company and as a matter of deliberate policy pay out the minimum amount required for the transfer value.

Eric Short on how transfer values are calculated

Discount rate

The note states that the actuary must select the rate of interest to discount the pension payments, with regard to market rates of interest.

Since even actuaries admit that where there are two actuaries there are three opinions, the scope for divergence on choice of interest rate is considerable.

The note says that one method of selecting market rates of interest is to take the market redemption yields on British Government securities of the appropriate term and coupon, making allowance for the reinvestment of future interest payments.

Most actuaries tend to base their calculations on long term gilt yields – these are very easy to determine – even though the pension scheme itself may not hold any significant fixed-interest securities.

The effect of variable assumptions on these two factors can be extensive. Leading consulting actuaries Bacon & Woodrow give the example of a 35-year-old man with pensionable earnings of £12,000 and with 10 years service in a contracted-out final salary scheme with normal retirement age of 65.

The transfer value, if the actuary assumed nil discretionary increases and interest rates 2 per cent above current levels, would be just £5,500. But allowing for 5 per cent discretionary increases and interest rates 2 per cent *below* current levels gives £8,500. Both calculations meet the requirements of the guidance note.

Transfer values can also be reduced if the company gives generous early retirement benefits and this is not taken into account in transfer calculations.

The Institute and Faculty are uneasy over the situation and would like the differentials in transfer value calculations to be narrowed.

The implementation of LPI (Limited Pension Increases), whereby company pension schemes must revalue payments being made to pensioners in line with the Retail Price Index up to 5 per cent, will remove much of the differences arising in transfer values because of assumptions about pension increases. Actuaries will generally assume that pensions will increase on average within the range 4.5 to 5 per cent a year.

However no date has been set for the implementation of this requirement of the 1990 Social Securities Act, but it is highly unlikely that it will come into operation before the beginning of 1992.

So any employee taking a transfer value during 1991 could find that value based on the present conditions. In many cases it will most likely be highly advantageous for an employee changing jobs in 1991 to wait until 1992 before taking the transfer value.

However, employees need to remember that the transfer value produced by the GN 11 actuarial basis is the minimum legal value and that trustees can pay higher values if they desire. This offers the opportunity for employees and their advisers to seek higher values.

Technically, payment by the trustees of a higher value to one employee against other employees in similar circumstances would be a breach of trust law. Nevertheless, it has been known for individuals to negotiate higher values.

THE WEEK AHEAD

THE SLOWDOWN in the UK economy will feed its way into British Steel's interim results on Monday, with analysts expecting a sharp fall in pre-tax profits from £420m last time to about £330m. The trading profit and projections for the remainder of the year may be more significant than pre-tax profits.

British Airways will report its first-half results on Wednesday, with analysts expecting a £300m-£310m pre-tax profit. However,like other airlines, BA's profits are expected to be hit by rising fuel prices and the economic slowdown in the second half. Boots, the drugs and chemists company, is expected to turn in a resilient set of figures when it announces its interims on Wednesday although analysts are not looking for profits to advance much from last year's £160m.

However, Burton, the fashion retailer will probably present a far sorrier picture and its annual pre-tax profits may fall by about £90m to the £140m mark. Concerns over its property interests persist and its underlying trading performance may make dismal reading.

On Thursday Wellcome, one of the worst performing pharmaceutical stocks this year, reports annaul results. Pre-tax profits are likely to be up 18 to 20 per cent, at £335m - £340m.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Amber Day Hldgs.	July	3,020	(2,060)	4.04	(3.46)	2.0	(1.5)
Bellway	July	11,110	(17,020)	20.5	(41.2)	11.0	(11.0)
Bibby J & Sons	Sept	33,500	(26,600)	20.4	(16.6)	9.0	(8.5)
Caspen Oil	July§§	2,790 L	(2,260 L)	-	(-)	-	(-)
Colorgen	June☧	18	(220 L)	0.1	(-)	-	(-)
Fleming Japanese	Sept	595‡	(599‡)	0.76	(0.77)	0.75	(0.75).
Kalamazoo	July	1,300	(4,100 L)	2.2	(-)	1.0	(-)
Keystone Invest.	Sept	2,310‡	(1,570‡)	16.2	(11.0)	13.0	(10.0)
MMT Computing	Aug	1,870	(2,150)	10.4	(12.8)	3.0	(2.45)
Nat. Home Loans	Sept	30,250	(33,580)	15.6	(15.2)	9.0	(8.0)
Scott. National	Sept	-	(-)	8.37	(7.39)	8.35	(7.4)
Stanhope Props.	June	15,000	(15,600)	4.94	(6.63)	0.1	(0.1)
Wharfedale	June	11	(3,150 L)	0.6	(-)	-	(-)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Aitken Hume Int'l.	Sept	1,500	(1,450)	0.5	(-)
Allied Irish Banks	Sept◆	121,300	(110,000)	3.5	(3.25)
Appleby Westward	Sept	1,190	(1,030)	3.0	(2.5)
Assoc. British Foods	Sept	132,300	(111,300)	3.7	(3.3)
BDA Holdings	July	1,600 L	(755 L)	-	(-)
Betterware Consumer	Sept	1,710	(1,130)	1.35	(1.07)
Blystad Group	June	710♣	(3,580♣)	-	(-)
BMSS	July	675	(729)	2.0	(1.87)
British-Borneo Pet.	Sept	1,470	(1,470)	8.0	(8.0)
British Petroleum	Sept©	2.0bn	(1.96bn)	11.8	(10.9)
British Telecom.	Sept	1.5bn	(1.3bn)	5.25	(4.66)
Burnfield	July	651	(702)	1.65	(1.65)
Burtonwood Brewery	Sept	2,380	(2,620)	0.7	(0.7)
Centreway Trust	June	442 L	(395)	-	(1.0)
Comac Group	June	66 L	(9 L)	-	(-)
Cook (William)	Sept	5,800	(3,740)	5.0	(4.5)
Elan Corporation	Sept◆	2,780	(1,360)	-	(-)
GEI International	Sept	3,100	(2,950)	2.47	(2.35)
Gieves Group	July	105 L	(949)	1.5	(1.5)
GPA	Sept☧	140,300	(114,800)	-	(-)
Grand Central Invest	June	570	(645)	0.4	(0.35)
Henderson Admin.	Sept	8,720	(10,700)	10.0	(10.0)
London & Edinburgh	June	26,100	(30,800)	-	(-)
London & Overseas	Mar☧	1,110	(742)	-	(-)
McInerney Properties	June	7,780 L	(1,860)	-	(1.5)
Monarch Resources	June☧	3,760 L	(281)	-	(-)
Prowting	Aug	5,030	(9,710)	1.7	(1.7)
Raiston Inv. Tst.	Sept	467†	(674†)	0.72	(0.72)
Rechem Environmental	Sept	4,010	(4,670)	4.5	(3.5)
Renold	Sept	2,100	(4,000)	1.2	(1.2)
Royal Dutch/Shell	Sept©	2.47bn#	(2.94bn#)	-	(-)
Safeland	Sept	309	(1,980)	0.7	(1.6)
Sainsbury J	Sept	273,400	(215,100)	2.1	(1.75)
Smith (James) Estate	Sept	525	(641)	1.1	(1.0)
Smithkline Beecham	Sept©	634,000	(588,000)	-	(-)
Storehouse	Sept	3,100	(4,200)	2.5	(2.5)
Stormgard	Sept	75 L	(1,400)	-	(1.0)
Upton & Southern	Aug	734 L	(115)	-	(-)
URS International	June☧	1,210 L	(730 L)	-	(-)
Warner Howard	Aug	2,510	(2,310)	1.75	(1.56)
Welpac	July	90	(125)	-	(-)
Westerly	June	284 L	(306)	-	(0.5)
Worth Invest. Tst.	Sept	109#	(120#)	-	(-)
Yale & Valor	Sept	20,300	(25,900)	3.9	(3.9)
Yorklyde	July	1,360	(1,560)	4.0	(4.0)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.☧ Figures quoted in US dollars & cents.† Gross revenue.‡ Net revenue.§§ Net losses.♣ Operating profits.# Net income.◆ Figures quoted in Irish punts & pence.© Figures for 9 months.

RIGHTS ISSUES

Eurotunnel is to raise £532m via a three-for-five rights issue at 285p.
Excalibur Group is to raise £8.5m via a one-for-two rights issue at 45p.
Unichem is to raise £25.7m via a two-for-five rights issue at 100p. This will accompany its stock market flotation.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Blenheim Exhibitions	Thursday	4.0	9.0	8.0
BOC Group	Monday	8.3	19.0©	9.5
Bridport-Gundry	Monday	1.9	5.1	1.9
Burton Group	Thursday	2.8	6.4	3.0
Concentric	Thursday	2.81	6.55	3.37
Drayton Asia Trust	Thursday	-	-	-
Essex Furniture	Monday	-	-	1.0
Five Oaks Investments	Wednesday	0.6	1.0	0.6
Gleeson MJ Group	Thursday	2.46	6.9	2.83
Greyfriars Investment Co.	Thursday	-	-	2.0
Jessups	Wednesday	2.25	4.75	2.25
Manganese Bronze Holdings	Monday	3.0	4.5	3.5
Metro Radio Group	Tuesday	1.25	2.5	1.5
Moran Holdings	Monday	1.0	-	-
Principal Hotels Group	Wednesday	1.0	1.0	1.0
Tomkinsons	Thursday	3.5	8.0	3.5
Wardle Storeys	Monday	4.0	10.0	4.0
Wellcome	Thursday	1.3	3.75	1.5
INTERIM DIVIDENDS				
AAH Holdings	Tuesday	4.5	9.0	-
Act Group	Wednesday	0.75	1.5	-
Ambrose Investment Trust	Tuesday	5.28	10.08	-
American Business Systems	Monday	0.8	1.6	-
Asea AB	Friday	-	12.0♣	-
Bank of Ireland (Gov & Co)	Thursday●	4.0	7.0	-
BET	Monday	4.0	9.0	-
Body Shop International	Tuesday	0.825	1.0	-
Boots Company	Wednesday	3.85	7.15	-
British Airways	Wednesday	2.8	6.05	-
British Investment Trust	Friday	9.0	12.5	-
British Steel	Monday	2.75	5.5	-
Butte Mining	Monday	-	-	-
Commercial Union	Wednesday☧	8.15	13.35	9.0
De La Rue Company	Tuesday	3.25	10.0	-
Dunhill Holdings	Wednesday	2.0	3.5	-
East Surrey Water	Tuesday	-	-	-
Electrocomponents	Wednesday	1.7	4.3	-
Ericsson LM	Thursday☧	-	14.0♣	-
F&C Germany Investment Trust	Friday	2.5‡	-	-
Ferrari Holdings	Friday	-	-	-
FKI	Thursday	2.0	2.0	-
Gates Frank G	Friday	-	2.75	-
General Accident	Wednesday☧	8.75	16.25	9.7
Govett American Endeavour Fnd	Tuesday#	6.75	9.0	-
Graham Wood	Thursday	3.0	5.0	-
Great Portland Estates	Tuesday	3.0	6.0	-
Hadleigh Industries	Wednesday	2.0	4.0	-
Hartlepools Water Co.	Monday	-	-	-
Hartstone Group	Thursday	0.75	1.25	-
Heath CE	Wednesday	7.5	18.375	-
Hicking Pentecost	Monday	0.5	1.5	-
Honda Motor Co.	Thursday♥	6.0	7.0	7.0
Kinta Kellas Investments	Friday	-	-	-
Land Securities	Wednesday	4.75	12.25	-
Locker (Thomas) Holdings	Thursday	0.6	1.1	-
London International Group	Tuesday	2.7	5.65	-
Marshalls	Tuesday	1.25	3.75	-
Mercury Asset Management	Tuesday	6.0	17.6	-
Meyer International	Tuesday	4.2	12.3	-
Novo-Nordisk	Wednesday☧	-	4.0†	-
Portsmouth & Sunderland	Friday	2.28	5.64	-
Regalian Properties	Wednesday	1.5	2.5	-
Regina Health & Beauty	Friday	-	-	-
Rexmore	Thursday	0.7	1.55	-
Royal Insurance Holdings	Thursday☧	10.75	14.75	11.25
Sanders & Sidney	Thursday	2.3	5.2	-
Sedgwick Group	Tuesday☧	4.0	8.0	4.0
Shires Investment	Thursday	3.6	5.5	3.9
600 Group	Thursday	2.48	3.74	-
Somic	Tuesday	1.0	1.5	-
Staveley Industries	Thursday	2.1	5.5	-
Stratton Investment Trust	Monday	-	1.13	-
Ultramar	Wednesday☧	3.0	6.0	3.5
Unigate	Tuesday	5.7	9.6	-
UPL Group	Friday	-	-	-
VSEL Consortium	Wednesday	4.5	15.5	-
Warburg SG Group	Tuesday	4.5	10.5	-
Whitbread Investment Company	Friday	3.35	8.25	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.☧ 3rd quarter figures.† Danish kroner per share gross.‡ Special interim dividend.♣ Swedish kronor per share gross.● Figures quoted in Irish pence.© Total dividend set for year.# Dividend payments gross per share.♥ Dividends quoted in Japanese yen.

Directors' Transactions

A time to buy

DIRECTORS have continued to purchase shares in their own companies, with almost four buys for every sale. Interest rate sensitive areas such as building materials, stores and engineering are being particularly heavily and consistently bought. In October director buying in the property sector outweighed sales by a ratio of 8 to 1, a fairly contra-cyclical view being taken by directors in this sector.

MB Caradon, which is involved in heating equipment and bathroom products, has come off the top recently, falling to 159p at which level the chairman, chief executive and finance director acquired 10,000 shares each. None of these directors previously held shares in the company.

A trading statement from Securiguard in September sent the price sharply down from 320p. Pritchard, a non-executive director, sold 550,000 shares last year at about 285p and has used this weakness to pick up stock, as has Mein, a fellow director. Prices paid varied from 73p to 102p, although the price has since fallen to 53p.

Blacks Leisure recently announced results ahead of expectations with three directors subsequently buying in unison.

The most significant sale announced this week was by directors in Capita where four directors sold a total of 4 per cent of the company. The stake was purchased by a single institution. The Business Technology sales relate to April and June when the share price was substantially higher.

Angus Macdonald, Directus

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Shares	Value	No of directors
SALES			
Alexandra Workwear	78,900	138	2
AMEC	350,000	663	1
Business Technology	382,305	710	1
Capita Group	490,000	794	4
Close Bros	8,000	19	1
Galliford	30,000	22	1
Slough Estates	20,000	45	1
Trade Indemnity	905,000	941	3*
PURCHASES			
ASDA Property	25,000	24	1
Automated Security	100,000	189	1
Barr & Wallace Ord	4,000	15	1
Beazer	20,000	21	1
Beckman(A)	50,000	30	1
Blacks Leisure	55,066	24	3
Bluebird Toys	150,000	53	1
Chillington Group	18,000	10	1
Cullen's Holdings	200,000	66	1
Ewart	25,000	12	1
Forward Technology	100,000	13	1
GEC	10,000	18	1
Haggas(John)	37,400	12	1
Lonrho	20,000	38	1
Lyles(S)	40,000	15	3
MB Caradon	30,000	48	3
Ramus Holdings	31,000	13	1
Securiguard	416,000	384	2
Shoprite	60,000	55	2
Vickers	9,000	16	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 29 Oct - 2 Nov 1990 1990.

Source: Directus Ltd Edinburgh

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
Autos Distinction	12	12	13	3.88	Cargo Control
Birmingham Mint	85*	82	60	12.19	IMI
Capital Leasing	Ir44*	Ir42	Ir18½†	Ir12.47	BNP
Carroll (P.J.)	Ir180*§	Ir154	Ir125	Ir72.84♣	Rothmans Intl.
Connell ‡	194*	194	135	48.3	Scottish Widows
Davies & Met. Ord	275*§	270	270	13.48	Thyssen Ind.
Davies & Met. A	265*§	260	250	4.85	Thyssen Ind.
Fosaco	275*	276	186	236.8	Burmah Castrol
Klark-Teknik	69*	68	63	11.00	Mark IV
Lowe Grp.	448	427	265	116.19	Interpublic
Priest (B.)	112*	115	90	44.9	Intl. Marine
Priest, Marians	32§	34	30	4.51	Grovewood Secs.
STC	327*§	314	291	1.9bn	Nthn. Telecom
Xtra-Vision	Ir6	Ir5½	Ir7	Ir5.48	Cambridge Group

*All cash offer.††Cash alternative. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 9/11/90. †At suspension. §§Shares and Cash. ♣ Value of 61.3% not already owned.

FINANCE & THE FAMILY

Taxing blow on a flat sale

LAST YEAR my wife sold a flat in Glasgow (part of a family trust) for £21,000 with vacant possession. The managing agents which had looked after the property indicated a value at March 31 1982 of £11,000 as a basis for indexation for CGT purposes. The local Inspector of Taxes disagreed, maintaining that as the flat was occupied in March 1982 it was subject to tenants' rights, thereby creating a liability for CGT.

This seems an unfair judgment because it does not compare like with like. It was sold with vacant possession in 1989; if it had been sold on a similar basis in 1982 it would have been worth £11,000.

■ The tax inspector is right: the market value of the flat as at March 31 1982 must take into account the terms on which it was let on that day, because of the provisions of section 150 (1&2) of the Capital Gains Tax *Act* 1979, *in conjunction* with section 96 (2) of the Finance Act 1988. The rules of *capital gains* tax are *quite arbitrary* and they make no pretensions to equity – they operate *generously in some situations* and harshly in others.

Residence liability

I WOULD be grateful if you would advise me on the following two courses of action.

My wife and I jointly purchase a second, or holiday, home in the UK for our occasional use. Subsequently, we decide to sell it and a capital gain is realised. May we each be allowed to realise £5,000 of the capital gain tax-free before payment of Capital Gains Tax?

Alternatively, we decide to *sell our present home and* move into the holiday property on a permanent, main residence, basis. Will any tax liability arise, either then or in the event of any future sale of the second property?

■ First question: Yes. As you will see from the free pamphlet for owner-occupiers, CGT4, obtainable from tax inspectors' offices, you and your wife should submit a joint main-residence notice (nominating one house or the other) before *the second anniversary* of the purchase contract for your second home.

Your solicitor will be able to guide you on the tax aspects. In particular, he or she will be able to guide you on the timing of notices of variation (under Section 101(6)(a) of the Capital Gains Tax Axt *1979*) so as to reduce the prospective chargeable gain upon the sale of your *second home, without producing* an unacceptable potential chargeable gain upon the *eventual sale of your present home.*

Second question: Almost certainly not, as you will see from the pamphlet *CGT4*. Here again, judiciously timed joint main-residence notices (under the guidance of your solicitor) should mean that you can avoid potential CGT problems.

Home for mother

IN 1981 I bought a flat for about £8,000 in order to give my mother somewhere to live when my father died. She was 61 years old at that time. The flat was put in my mother's name but held in trust for me.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

No rent or maintenance has *been paid by my mother during* her tenure of the property. The flat is now worth about *£50,000. A situation has now* arisen whereby my mother would be better living in sheltered *accommodation* and it is possible the council may be able to accommodate her.

Maintaining my mother's rent and maintenance free in the property for nine years has *been a drain on my resources,* and I should like to know if I would incur any tax liability *when the flat is sold. I have* my own house, with a mortgage of £58,000.

■ *The liability* to Capital Gains Tax would fall on you as the sole person beneficially entitled.

Clocking up an asset

CAN YOU explain what constitutes a piece of machinery to qualify for exemption within section 127 of the Capital Gains Tax Act 1979? I have in mind antique clocks, which were not originally expected to last 50 years and a day but, like vintage cars, now seem to go on and on.

If these horological items, many of which are now antiques, do not qualify for exemption then the law would *appear to be blind to the practicalities*, and indeed be so constructed as to favour one *sector of the collecting community* at the expense of another.

■ *A clock in working order* is undoubtedly a piece of machinery. It will *consequently be an exempt wasting* asset within section 127(10) of the CGT Act 1979, because *section 37(1)(c) says that "machinery* shall in every case be regarded as having a *predictable life of less than 50 years".*

An antique clock which no longer works would not be exempt *unless its physical* deterioration meant that its predictable life as a collector's *item* was *in fact* less than *50* years, in accordance with section 37(3).

CGT on let property

I AM SEEKING advice as to a potential capital gains tax problem on a flat I purchased in 1987. The one bedroom flat was purchased in August 1987. Between August 1987 and March 1988 I lived in the flat and in the latter month I went to work abroad. Therefore I decided to let the flat whilst I was out of the country.

Unfortunately in January 1989 I was made redundant abroad and returned to the UK to seek employment. However, I did not return to live in the flat but continued to let it. In September of this year I got married. My wife owns the flat in which *we* live, so between us we have two flats, one of which is let.

I understand that if a property is let for more than three years it is then subject to *capital gains upon its sale. I also* understand that upon marriage one of the properties is free from capital gains as long it is sold within two years of the marriage date.

Therefore, I am wondering at which date I will be liable for capital gains: March 1991 (three years from the date that my flat was originally let) or September 1992 (two years from the date of marriage). Also, will the date be affected by my being abroad for nine months in 1988-1989?

■ First, we are sorry to say that you have been misinformed about the CGT rules for owner-occupied property. It may be useful to you to know that the Inland Revenue has produced a free pamphlet for owner-occupiers (and others), which is pamphlet CGT4. Although this tends to oversimplify the intricate and arbitrary rules, it is useful as a starting point for discussions with one's solicitor, for example.

When asking your tax office *for the latest edition of CGT4,* you could also ask for booklet 1R1 (with an updating *supplement*), *as this booklet includes* six concessions relating to private-residence relief (given by sections 101 to 105 of the Capital Gains Tax Act 1979).

Suppose, by way of illustration, that you bought the flat (on a long *lease*) for £C by a contract dated August 1 1987, and that you moved in on *August 31 1987; you moved out* on March 15 1988 and the flat was then let continuously from *March 20 1988 until fairly* recently; you then sold the flat for £P by contract dated *September 30 1990. The chargeable* gain would then be either:

229 x (£P - 126.6% of £C) ÷ 1157 - *£20,000*

34 x (£P - 126.6% of £C) ÷ 1157 whichever be the larger figure.

The number 34 is the number of days before you moved in (30) and between your *moving out and the commencement* of the letting (4); 299 is the total of these 34 days and *the number of days from the* commencement of the letting to September 30 1988 (195); 1157 is the number of days from purchase contract to sale contract; 126.6% is the increase in the RPI from August 1987 to September 1990; £20,000 is the statutory limit (in section 80(1)(b) of the Finance Act 1980, as amended in 1984); 928 (the difference between 1157 and 229) is the number of days on which the flat was your main residence (198) plus the number of days in the final years of beneficial ownership (730).

This illustration represents stricter application of the law than you may actually receive in practice.

Share transfer

I WOULD appreciate your advice on the following points:

1.Transfer of shares to my *wife: Is the "acquisition cost"* for my wife (for CGT purposes) the value of the shares at the *date of transfer or their cost* when originally bought by me (appropriately indexed)?

2. *Money retained by solicitor*: While I was overseas my solicitor sold for me (under power of attorney) a property for the sum of £43,000. This sum was not credited to my account until after my return some weeks later. I requested interest on the sum for these intervening weeks but my solicitor claimed not to understand how any interest could be due. What is the legal position? Am I entitled to insist on interest at the correct rate on deposit accounts at a clearing bank?

■ 1. The acquisition cost/value for your wife is the value at the date of the transfer to her.

2. Your solicitor should have placed the money in a separate deposit or he should pay you out of his own money a sum equivalent to the interest which would have been earned. You should refer him to the Solicitor's Accounts (Deposit Interest) Rules 1975 made pursuant to Sections 32 and 33 of the Solicitors Act 1974. Rules 2 *and 3 show* the position clearly.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
High interest cheque	4.00	4.10	3.30	monthly	1	under 5,000	0-7
High interest cheque	8.10	8.40	6.70	monthly	1	5,000-9,999	0
High interest cheque	8.30	8.60	6.90	monthly	1	10,000-24,999	0
High interest cheque	8.50	8.80	7.00	monthly	1	25,000-49,999	0
High interest cheque	9.10	9.50	7.60	monthly	1	50,000	0
BUILDING SOCIETY†							
Paid up share	6.00	6.09	4.87	half-yearly	1	1-250,000	0
Instant Xtra	8.95	8.95	7.16	yearly	1	500	0
Instant Xtra	9.20	9.20	7.36	yearly	1	2,000	0
Instant Xtra	9.45	9.45	7.56	yearly	1	5,000	0
Instant Xtra	9.70	9.70	7.76	yearly	1	10,000	0
90-day	9.45	9.67	7.73	half yearly	1	500-9,999	90
90-day	10.20	10.46	8.37	half yearly	1	10,000-24,999	90
90-day	10.70	10.99	8.79	half yearly	1	25,000-49,999	90
90-day	11.20	11.51	7.21	half yearly	1	50	
NATIONAL SAVINGS							
Investment account	12.75	9.56	7.65	yearly	2	5-25,000	1 mth
Income bonds	13.50	10.12	8.10	monthly	2	2,000-25,000	3 mths
Capital bonds	13.00	9.75	7.80	yearly	2	100 min.	3 mths
35th issue♦	9.50	9.50	9.50	not applica	3	25-1,000	8
Yearly plan	9.50	9.50	9.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applica	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.92	11.48	9.17	monthly	1	2,500	0
Provincial Bank	10.24	10.73	8.59	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	11.52	9.46	8.23	half yearly	4	-	0
8pc Treasury 1992	11.53	9.46	8.22	half yearly	4	-	0
10.25pc Exchequer 1995	11.32	8.70	7.13	half yearly	4	-	0
8.5pc Treasury 1994	11.46	9.23	7.89	half yearly	4	-	0
3pc Treasury 1992	9.54	8.74	8.26	half yearly	4	-	0
Index-linked 2pc1992§§	11.71	8.45	8.54	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day; immediate access for balances over £5,000.♦ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 6.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

CASEBOOK

FROM April 1991, composite rate tax – the tax docked automatically from interest paid on your bank or building society account – will be abolished for non taxpayers.

It will be replaced with a system of self-certification, with individuals simply declaring that they are not obliged to pay tax. The bank or building society will take their word for it, and pay interest gross.

The Inland Revenue has been worried about this ever since CRT was abolished in this year's budget. Yesterday, it spelt out how it was going to audit the self-certification process – an area of massive potential abuse – and gave details of how the scheme will work in practice. Here are some of the main points:

■ Interest-bearing current accounts will be eligible for gross payments. You will have to fill in a separate registration form for each account.

■ If you miss the April 1991 deadline to register as a non-taxpayer, you will be able to reclaim the tax which will still be docked from your account – but not until the beginning of the next tax year.

■ If a couple share a joint account, and one person is a tax-payer and the other not, it will be possible to receive half the interest gross and half net.

■ If you suddenly find that you are liable to tax, but you had inadvertently made a declaration to the contrary, you must notify the financial institution immediately. Otherwise, you will find yourself getting taxed in one lump sum at the end of the financial year.

■ The Revenue will take responsibility for checking the forms in which you declare you do not have to pay tax. The checks will be conducted on a "random" basis and the Revenue will be looking for anomalies such as someone getting paid £20,000 in interest.

* * *

IT IS A criminal offence to make multiple applications for *privatisations such as the* forthcoming electricity flotations. But what if you want to apply for shares in two separate capacities – namely as an individual investor and on behalf of a limited company ?

It depends on the circumstances. A reader wrote in to say that he has a limited company: he is the director and both he and his wife are shareholders. If the company applies for shares in a particular Regional Electricity Company (REC) *does* this mean that neither he nor his wife can apply for shares in their own right for the same REC?

The Electricity Share Information Office replied: "The *rules against multiple applications* apply to companies just as to people. Only one *application can be made for shares in* any one of the regional electricity companies for the *benefit of any one person (including* a company).

"Depending on the extent to which shareholders or directors benefit from the finances of the company, it is possible that in some circumstances *an* application by the company for shares of one of the regional electricity companies *might* preclude those individuals from applying in their own *right for shares in the same* REC since it might constitute a multiple application."

According to Touche Ross, the accountancy firm appointed to monitor *applications for the electricity privatisation*, in such cases the deciding factor would be who *ultimately benefits. If it* appeared that you were using the company as a "front" for *making an extra share application*, this would be considered a criminal offence.

Touche Ross cites the following cautionary tale. A man who set up 198 separate companies to apply for shares in the British Gas privatisation was found guilty of making multiple applications: he was fined £20,000 and given an 18-month *suspended prison sentence*.

EXPATRIATES

Prep for those going abroad

ABOUT 2m Britons live outside the UK, and the population is by no means static. There is a constant change of personnel, the outward flow of expatriates balancing those returning.

New expatriates and their employers should not begin a period of overseas employment without careful preparation, *even in cases where the destination* is an English speaking country. Nowadays there are *many organisations willing to* help expatriates come to terms with the difficulties of living *overseas.*

Those of independent mind may choose to "read up" the *area to which they are going.* But for most people, time constraints alone necessitate *reliance upon the specialists.*

Some employment agencies offer advice to newly appointed *expatriate staff. Jonathan* Wren, the London agency for banking staff, is one. It gives *spouses the opportunity* of an afternoon counselling session covering such matters as local *schooling.*

A number of specialist organisations take things much further. *For example,* Employment Conditions Abroad run one-day briefings for expatriates every month, covering both cultural matters and such considerations as health, education, and taxation. If desired, their booklet, "Outline for Expatriates", can be purchased without attending the course.

Somewhat similar assistance is available from the Women's Corona Society. Its half or full day courses, which are run eight times a year, are available to both men and women.

The main points the courses cover are health and welfare in different climates, adaptation to different cultures and how to be a "foreigner." The full day sessions incorporate also a personal interview with someone recently returned from the country concerned. Booklets covering matters of practical domestic detail are also available.

The society has contacts in more than 100 countries to

help newly arrived expatriates settle down. In 22 of these countries, there are full branches which hold regular meetings.

But in terms of the specialised information, frequency of courses and sheer detail available, the Centre for International Briefing leads the field. In addition to courses designed for particular companies, there are 58 residential courses every year for all comers. Each lasts four days.

The centre offers six parallel courses, each specialising in one area of the world. Each is repeated approximately every five weeks. All focus on the country to which each delegate is going: its people, working and living conditions and the negotiation and communications skills *likely to be* required. Practical financial considerations and health are *also covered.*

Over the four days there are usually between ten and 15 *guest lecturers, as well as* British expatriates and local nationals. An extensive library *and resources centre is* available for private study.

Naturally, all such *preparation involves a cost.* But the aim is to avoid unnecessary distress and *under-performance, not to mention* expense. The cost to an employer of repatriating a typical family with two *children* and replacing them with another could well amount to £80,000 or more.

Seen in this light, expenditure which significantly reduces the likelihood of such an unhappy outcome might well be distinctly cost-effective.

■ *The Centre for International Briefing, Farnham Castle, Farnham, Surrey, GU9 0AG. Telephone: 0252-721194. Scheduled four day country briefing course – Working partner £860; accompanying spouse £840.*

■ *Employment Conditions Abroad. Anchor House, 15 Britten Street, London SW3. Telephone: 071-351-7151. Full day course £150 (married couple £250) + VAT.*

■ *Women's Corona Society, Commonwealth House, Northumberland Avenue, London WC2N 5BJ. Telephone: 071-839-7908. Half day course £35 (married couple £45). Full day course £55 (married couple £75).*

These organisations have charitable status so the fees quoted are not subject to VAT.

Donald Elkin

Donald Elkin is a Director of Wilfred T Fry of Worthing, West Sussex.

MINDING YOUR OWN BUSINESS

Nicholas Lander *visits a food supplier which caters to the most discerning tastes*

The flavours of the seasons

CHEFS, FOOD writers, and anyone who enjoys eating well appreciate the changes in the seasons. Lamb in the spring, wild salmon and asparagus in the summer, game and wild mushrooms in the autumn. Delicious as these all are to eat, commercially they are a nightmare; they are in season for barely a few months but require management and overheads for the whole year.

This was just one problem which faced Mark Leatham in 1978 when he wanted to put his talents as a marksman and his passion for shooting to profitable use. Ex-Eton and the Guards he flirted briefly with estate agency and then spent 1979 as a professional pigeon shooter on the estates around his home in north Buckinghamshire. Many of the pigeons he plucked and dressed himself and delivered to restaurants in London, taking credit, which allowed him to eat well, rather than money as payment.

In 1980 he formed Leathams Larder with his brother, Oliver, with an office in Lots Road, Chelsea, to supply game to restaurants. Orders were taken over the phone in the evening, at 4am the brothers were at Smithfield Market buying. The rest of the day was spent plucking, gutting and delivering the birds to their customers. A chance meeting at a drinks party with a smoked salmon curer established the very necessary second leg of their business and soon they were accomplished slicers of smoked salmon themselves which they were delivering alongside the game.

Although profits were good, particularly in smoked salmon prior to the introduction of farmed salmon in 1985, space was becoming a problem. Neither of the shops they started in Streatham and Hollywood Road, Chelsea, was a success, and they were coming under severe pressure to move from Lots Road, which is a residential area. To conceal their activities they were unloading 40 ft lorries full of smoked salmon from Scotland at 2am but this did not go unnoticed and a visit from the council resulted in two months' notice to move.

Just before the deadline they found 15,000 sq ft premises in Camberwell which had belonged to a butcher, at a rent of £7,000 pa. They spent £20,000 on refrigeration and the same again on refurbishment. In 1983 the freeholders decided to sell; as sitting tenants they were in a prime position and bought the property for £125,000 with the interest on the purchase no greater than the former rent.

As freeholders and with plenty of space they have been able to spend to renovate the building and to satisfy inspectors from the Meat and Livestock Commission and hygienists from Marks and Spencer. Over six years more than £450,000 has provided fierce refrigeration on all floors, a sound proof plucking room with three noisy machines each capable of plucking 100 birds an hour, two kilns to smoke 600 sides of salmon a day and a machine which skins flat fish ready for filletting.

From the moment they moved they realised they would have to extend their product range to cover costs. The brothers tried to supply flat fish via Billingsgate but this was not successful so they concentrated on poultry, much of it imported from France – maize-fed chicken, ducks, goose breast – but they also supply quails from their farm in Lancashire. They have also built up charcuterie and patisserie divisons. Turnover this year is projected to be £11m.

The biggest growth has come from a successful second venture into fish. Talking to the head chef of a top London hotel three years ago Leatham was astounded to hear that the chef's weekly purchases were slowly changing from 70 per cent red meat and game to 70 per cent fish and white meat as diners became more health conscious. They decided to bypass Billingsgate and to buy fish directly from the coast and have taken over specialist fish companies in the Shetlands and Broadstairs, Kent as well as a London company selling "exotic fish". The exotic fish company supplies restaurants with marlin from Costa Rica, red snapper from the Seychelles and shark from Florida and its market is growing quickly as the British become more adventurous fish-eaters.

Fish accounts for 40 per cent of turnover and game for less than 20 per cent, and the game side does not produce the profits it should. The two complement each other. Although the game season opens officially on August's glorious 12th, it is only possible to convince chefs to put game on the menu and their customers to eat it when the weather turns cold and fish prices rise.

Although a small core of staff are employed throughout the year many are taken on late in August and trained for a month before they pay for themselves. Staff to do the plucking and gutting are not easy to find at this time of year as butchers shops are looking for staff prior to Christmas and the game season lasts until February. It is not a pleasant job either on the nose or eye and and operators' hands can easily be injured by bones or feathers. In spite of good wages Leatham has seen men start at 8am and walk off the job before the first morning break.

Rising labour costs, and the growing popularity of shooting, have increased the cost of processing. Last year pheasant's fetched an average of £1.50; costs include collection from the estate at the end of the shoot on a Sunday and delivery to a refrigerated store, both paid at double time. The birds must be plucked, gutted, trussed and packed and delivered to customers in a refrigerated van. The estates must be paid promptly to ensure continuity of supply while restaurants may take 45 to 60 days to settle accounts.

In spite the attractions of sea bass, lobster and smoked tuna and their contribution to the company's profits Leatham's heart is still in the game business. It provided the basis of his busines ten years ago and every Saturday from September to February gives him something to shoot for.

■ *Leathams Larder, 1 Bethwin Rd, London SE5 OJ. 071-252-7838, fax 071-701-2376.*

Hunter turned shopkeeper: Mark Leatham shoots on Saturdays and sells game in the week

Sometimes the trickiest task for small companies is how to turn into larger ones. **Nick Garnett** looks at one man's struggle

Puzzling out a game plan

WHEN Paul Harris started a business making board games in 1984, he had no clue the market would prove such a puzzle. After four years, annual turnover at Octogo Games remained stubbornly static at about £35,000 and the company had made no profit.

So at the end of 1987, Harris sought help from a former colleague, John Ewens, who was flush with money after selling his supermarket chain. Since then, loans and capital at Octogo have been raised ten-fold to some £600,000, helping to lift the company's sales to £250,000 last year and an expected £500,000 this year.

But to prove what a tricky maze the board game market is Octogo, based in Calne, Wiltshire has yet to conjure up a return. It might make a very small profit this year but it was a gamble for Ewens. So why did the 37-year-old who is now Octogo's chairman invest £200,000 in the business and a further £200,000 in short term loans?

"I would not have done it unless I thought the company had good prospects and will do very well," Ewens says.

Board games account for £110m of Britain's £1bn toy and hobby market and is the fastest growing segment, sales rising at around 10 per cent a year. Old favourites such as Monopoly, Scrabble, Cluedo and Trivial Pursuit dominate sales but a board game producer can still make a more than 30 per cent return on other games that have large production runs.

But the company failure rate in the toy and hobby market is colossal. Tiny games producers can get pushed around like pawns by High Street retailers.

Seven years ago, Harris devised a game, a bit like a cross between draughts and chess, which he called Octogo. The next year he secured an order for 15,000 of these from WH Smith and contracted out the making of the game. He used his small transport business, which he still owns, to fund the venture and two friends put in a total of about £70,000. Two other games followed, Counterstrike and The Game.

The riddle of how to develop his business defeated Harris. So he turned to Ewens for help. At the start of 1988, Ewens injected £200,000. He later added £200,000 in short term loans, which he had not envisaged making when he first became involved. For this, he has taken a 51 per cent interest and become chairman, Harris remaining managing director with a 26 per cent stake. Lloyds bank chipped in with a £150,000 loan.

Harris, 41, was already getting the message that strategy games were being outmanoeuvred in the market by faster-selling more light-hearted family games. This was reinforced by the company's first, and overdue, study of the market. As a result Counterstrike and The Game were consigned to the rubbish bin and a programme begun to develop other games.

The second trick the company learnt was that it needed far more games. "You need to be able to offer retailers a good range of games partly to show you are a serious contender in the market and you are here to stay," says Ewens. The company has now developed about 15 games, supplying 180,000 of them this year for between £4 and £17 at shop prices. Some, like the environmental Green Game, Hagar the Horrible and Bulls Hit (in which players move flies round a cowpat) are more for teenagers and adults.

But it is in the development of games that Octogo faces one of its two awkward cash squeezes. Ewens says it costs between £50,000 and £60,000 to develop a game and produce an initial run of 10,000. To help juggle these costs, Octogo markets games already developed by other companies. Its biggest selling product, Mirrorkai, which is one of its few non-board games, is a US spin-off from the current craze for brain-damaged turtles. Harris is still inventing games and the company has no difficulty obtaining ideas from outside. On average ten games designers submit ideas every week. The lure is a rake-off of between 4 and 8 per cent on any game they license to a producer.

If finding suitable games ideas is something the company has coped with over the past two years, it has been a tougher time with marketing. Ewens says the piece missing in this jigsaw were sales agents. Octogo did not have any. It now has 19, handling about a half of the company's sales. Wholesalers deal with a fifth, the rest is done directly from Octogo's office. WH Smith still buys about 20 per cent of Octogo's games, down from 50 per cent last year.

The company's second cost squeeze comes from the industry's awkward buying cycle. Some 80 per cent of board games are sold by retailers in the frenzied two months before Christmas. Furthermore, says Ewens, toy retailers also opt for 60 to 120 days credit. "So we can deliver in September and not get paid until January," he says. There is no solution for this cost conundrum other than delaying payments to sub-contractors who make and put the games together.

Sub-contractors are very important in helping to keep Octogo's permanent workforce down to seven. Wherever possible Octogo persuades the printers of the board games to package them ready for delivery. Ewens says the company tries to use two or more sub-contractors per game to give it flexibility. That does not prevent some mishaps. A puzzle called Troy made for the company in Hong Kong arrived too late last year for the Christmas rush, had a defect and lost Octogo money.

Ewens says most of the company's development costs have now been borne. Instead of introducing five games each year it expects to introduce two. "It is very unlikely that the company will need more money. With our range we have now a very solid base for 1991. We will certainly make a profit next year and will be aiming for sales of around £1m if not more."

One cost benefit for companies such as Octogo is that product testing can be cheap. A lot is done by Harris's children, Clare and Mark.

■ *Octogo Games, 28-30 Harris Rd, Calne Business Centre, Porte Marsh Industrial Estate, Calne, Wiltshire. 0249-816661.*

PERSPECTIVES

Agony and acrimony at the top of the world

A NEW Zealander claims to have made mountaineering history by becoming the first woman to have climbed Everest without oxygen. No-one disputes she got to within 200m of the summit, but few believe she got much higher. Her claim has given rise to bitter and protracted argument. **Richard Cowper** has interviewed all the main protagonists and discovered new evidence which suggests she was telling the truth

WHEN Lydia Bradey announced that she had climbed Mount Everest alone and without oxygen by the same route as her compatriot Sir Edmund Hillary 35 years before she could hardly have expected that it would spark one of the more bitter episodes in modern mountaineering.

A highly independent and ambitious 28-year-old New Zealand mountaineer, Bradey was last seen on October 14 1988 at 2.30pm by a group of four Catalan climbers and two Sherpas less than 200m below the summit of the world's most coveted peak. But, in the quarrelsome aftermath of what she may have hoped would be a star-struck start to a brilliant international career, her compatriots all but branded her a liar. She had been on her hands and knees in a "distressed condition" and could never have done it in the time available, they alleged.

No stranger to controversy, she hit back. Her team mates had not been anywhere on the mountain during the vital part of the ascent and she accused them of jealousy, sexism, a lack of sporting behaviour and of distorting the facts.

Enough doubt was cast on the validity of Bradey's claim to have reached the top of Everest to ensure it was never officially accepted by any of the world's recognised climbing authorities. But, two years on, new evidence I have collected from four members of the Catalan expedition – and from tapes of walkie-talkie conversations between them and base camp – suggests that she was telling the truth.

At stake is more than a simple statistic recording of yet another ascent of Everest by the so-called "yak route". If her claim were substantiated she would go down in mountaineering history as the ninth woman to have climbed the world's highest mountain, the third New Zealander, and – more remarkably – the first woman to have done it alone and without oxygen.

The level of technical climbing on the route is not particularly high, but the enormous willpower needed to keep going alone above 8,000m without artificial oxygen, sometimes in waist-deep snow, is rarely appreciated. Nor are the dangers of storm and frostbite.

Just before the summit comes one of the route's biggest challenges: the Hillary step, a steep face normally encrusted in snow and ice. The exposure is extraordinary. If you are alone and unroped, one slip and you could end up falling 2,700m.

For Bradey the applause was not to be. In the battle for hearts and minds that followed the initial claim and counter claim Bradey seemed, at first sight, to be her own worst enemy. She had also met her match in Rob Hall, the brash, determined leader of the New Zealand Everest expedition.

Deeply angered by her "lack of team spirit" and the "selfishness" of her lone attempt on a route for which the New Zealanders did not have permission, Hall feared the whole team would be banned from climbing in Nepal and he did much to undermine Bradey's credibility. In statements made to the Nepalese authorities and to the New Zealand Press Association he accused her of "irresponsible misconduct" and of making "fictitious" claims.

In an attempt to ensure that he, Gary Ball and Bill Atkinson escaped penalty for Bradey's action he wrote dissasociating the team from her "illegal foray" and alleged that information about her physical condition and the timing of her movements from the Spanish climbers on the south col route at the same time made it clear she could never have reached the top.

He also ventured to suggest – with what evidence is not clear – that she may have been hallucinating.

Bradey seemed to do little to substantiate her claim and much to undermine it. She had carried no watch to ascertain the times at which she reached crucial stages of the climb, had no photographic proof of her ascent, and had made enemies in unfortunate places. Least helpful of all, when she got back to Kathmandu she temporarily withdrew her claim to have reached the top.

Nevertheless she does have plausible explanations for everything she did. She does not deny that she climbed the mountain illegally, nor does she deny she was crawling. However, she does reject allegations that she was in a dangerously distressed condition.

"My camera froze up and would not work and I dropped my watch in the snow. In Kathmandu I was led to believe I would be treated more leniently if I withdrew my claim. The big mountains are my life, what I dreaded more than anything was being banned for 10 years," says Bradey. In the event she was banned from climbing in Nepal for three years and the rest of her team were unaffected.

In retrospect the New Zealand expedition seemed to doomed to end in acrimony long before it reached Nepal. Her relations with her three compatriots had begun to turn sour in August in Pakistan in an attempt on K2, the world's second highest mountain. Bradey rarely climbed with them in spite of the fact that the New Zealanders comprised a small Alpine team of two pairs. Issues of sex and affairs of the heart seem to have played a part in sowing the seeds of subsequent acrimony.

When they got to Everest in September Bradey chose to climb with two Czech mountaineers, Peter Bozik and Jaroslav Jasko, who were trying to repeat the awesome

Lydia Bradey: highly independent and ambitious

Scott/Haston route on the south west face. Tragically, along with two of their team, both were to die in a blizzard on the face on October 17, just a day after Bradey returned to base camp from her summit bid.

The hopes of the three New Zealand men to climb the peak were also thwarted. They were forced to turn back at 8,100m in high winds and deteriorating weather on October 12 after a three-day attempt on the south pillar, a route for which they did not have express permission, but to which the authorities in Kathmandu subsequently appear to have turned a blind eye.

Exhausted and bitterly disappointed they returned to Camp II at 6,400m where they met Bradey who, it quickly became clear, was planning a solo attempt on the south col route – her second illegal attempt in ten days. In vain they reminded her that permission to climb the route had been refused both verbally and in writing and if she went for it they might all be banned from climbing in Nepal.

Furious, they descended to base camp and told their liaison officer of the circumstances and said they were expelling her from their team. "It was a pretty bloody selfish action . . . the old fashioned idea is that the team is more important than the individual," says Hall.

To make matters worse the New Zealanders then had a bitter quarrel with the Czechs over money and climbing gear and left Everest base camp on October 14 to avoid "a punch-up." Says Robert Hall, leader of the New Zealand team: "It was an all-time low in my mountaineering career."

Meanwhile, Bradey, feeling "really strong" and expecting "no super technical sections", had set off at 2am on October 13 on the far easier 1,595m climb via the traditional Hillary route to the south col (7,995m). She arrived there at midday and spent the night in a tattered American tent with Denis Ducroz, a Frenchman. Also on the col were four Catalan climbers, Jeronimo Lopez, Lluis Giner, Nil Bohigas and Sergio Martinez, who planned an attempt on the summit next day. As they slept none were aware that 200m higher up on the mountain two exhausted Sherpas from the French expedition had fallen to their deaths while attempting to descend.

Next morning at 2.30am on October 14 Bradey set off on the 853m climb to the summit following the headtorches of the Catalans. Using oxygen they quickly left her behind. In the dark on the first slope she stumbled across the body of one of the dead Sherpas. "There was nothing I could do so I climbed on," she says.

"I met the Spanish team at about 3pm at the south summit (8,740m) on their way down from the top. One of them was in trouble," says Bradey.

It was an understatement. For the Spaniards and their two Sherpas it was the beginning of a four-day ordeal to save the life of Sergio Martinez. They had left him at the south summit and on their return from the top found him blind, frostbitten and close to death from cerebal oedema (brain damage due to altitude sickness).

In an epic descent they dragged him down to the south col where they spent the night. The next day two Americans, one a doctor, gave up their attempt on the summit to help. Subsequently, in a brilliantly co-ordinated rescue, 22 mountaineers carried the sick Catalan through a complex icefall to base camp from where he was evacuated by helicopter with Lluis Giner, who was badly frostbitten. Martinez lost five toes; Giner lost five fingers.

The Spanish feat was hailed as one of the great successes of mountain rescue. In contrast their brief meeting with Bradey on or around the south summit was to prove controversial.

The Catalans were reported by the three New Zealanders to have radioed to base camp at 2.30pm on the afternoon of October 14 to let them know they had "met Bradey 100m below the south summit crawling on her hands and knees in distress." Fearing for her life, Ang Rita, a sherpa, who had just made history by ascending Everest for the fifth time, tried to persuade her to come down but she refused. Bradey's compatriots were told of the contents of the radio call at base camp and chose this point to leave the mountain altogether.

Later the New Zealanders reported the Spanish as saying Bradey had returned to the south col camp at between 6.30pm and 7pm on the evening of October 14. If these statements are correct Bradey could not possibly have climbed the mountain in the time available.

But the Catalans never made a formal statement to the authorities and new evidence gleaned from their diaries, the recorded tapes of conversations between the climbers and base camp and the memories of those on the mountain at the time, shows up startling differences from the New Zealand account.

Jeronimo Lopez, one of the Catalans who climbed to the summit that day and who met Lydia on the descent, has attempted to set the record straight.

"I have talked the issue over in detail with Lluis Giner, who listened to all the tapes again, Sergio Martinez and Josep Casanovas, the deputy leader who was in base camp on October 14 and operated the radio. We now agree that:

■ The meeting with Bradey took place *on* the south summit at around 2.30pm when a radio call was made and not 100m below it. (This 100m is crucial to whether you believe Bradey had enough time to climb Everest, because at that altitude 100m could take two hours to climb.)

■ Bradey *was* in poor condition and Lopez asked her to retreat. We saw her crawling but, in retrospect, this may have been because she was resting. We are adamant she was not in "distress", although we understand that Ang Rita told her she would die if she tried to go to the top.

■ Nil Bohigas made a rapid descent in about two hours arriving at the south col at about 5pm, four hours before the rest. (This may account for some confusion in the reports made by the New Zealanders). On the way down Bradey overtook Martinez (the injured Spaniard), Giner and myself at around 8.30pm at 8,300m. We arrived back at the South Col Camp at 9.30pm, about half an hour after Bradey.

If these times are right (and they come from three out of the four Catalans on the mountain at the time) then Bradey had roughly 6½ hours to climb from the south summit to the top and back down again, not the four hours suggested by the New Zealanders, a feat within the bounds of possibility for a strong climber, though not at all easy without oxygen.

Says Elizabeth Hawley, doyenne of mountaineering in Nepal and someone who has followed the case closely: "She's a very strong climber. She would be physically capable. She is in the Wanda (Wanda Rutkiewicz: the world's top woman mountaineer) class and ten years younger."

Bradey's own version of the crucial stages of the climb now becomes more likely: "I was not delirious. I wasn't hallucinating. When the Spanish left the south summit I was on my own. I just took it stage by stage. There was some rope on the Hillary step. I used it to help me up. I presume it took me about 1½ hours, maybe two hours, to the main summit. I don't really know. I probably got to the top about 5.30pm. I hardly stayed any time at all. Then I was back down at the south col around 8.30pm. Heaps of people climbed Everest that season. It was no big deal. There were large bucket steps for me to follow. There were holes for ice axes. It wasn't like Messner soloing."

Even if the "new" Spanish times are accepted some experts remain uncertain. One authority says: "She appears to have got stronger rather than weaker as she went up. Normally at that altitude you are getting worse. In my book I must place a question mark against her ascent. I don't know whether she herself even knows whether she got to the top. It will probably remain a mystery."

Others give her the benefit of the doubt. Says Doug Scott, Britain's most successful mountaineer: "After communicating with Lydia I am convinced she did it. She's a phenomenal climber. She's a big girl. She's strong. The timing is just possible for someone that good . . .She strikes me as the sort of person who would not lie about this. I do not think she would risk the damage to her self esteem."

Back to School

Sir Geoffrey Owen contemplates his old school Tony Andrews

Memories of an ice age

*FT editor **Geoffrey Owen** reflects on hockey and happiness*

THAT GLORIOUS, freezing Easter term of 1947! We trod the thick snow on the school house tennis court into a firm carpet and spread water on the surface each night. The days were filled with skating and ice hockey, the River Cherwell became an extended winter sports arena, and the regular playground was transformed into a network of high-speed slides. If there was an economic crisis in the nation at large, we were unaware of it.

Five years of boarding at the Dragon School, Oxford, starting at the age of eight in 1942, seem in retrospect a blur of unalloyed happiness. How was it possible to be so busy, to learn such a lot and to have such a good time? The quality of the staff had a great deal to do with it. There was the left-leaning "Bruno", a fine musician and producer of plays who read us extracts from the New Statesman, the formidable "Law" whose Latin textbooks became famous far beyond Oxford, Goldie who inflicted short, sharp punishment with his gold propelling pencil, the French teacher whose hobby was breeding Sealyhams, "Jacko" with his ukulele, and more. With their younger colleagues away in the armed forces we were lucky to have older, more experienced and more eccentric teachers who made a deep impact on us.

The school today seems much the same in appearance and in spirit. The wooden huts where "Law" taught us Latin and Greek have been replaced by unprepossessing two-storey buildings; the Dragon was never renowned for its smart facilities although a new outdoor swimming pool and assembly hall have been added. (There are no more swimming lessons in the icy Cher.) The rough old playground is as it was, well suited for those head-to-head marbles contests, played by the senior boys with jumbo-sized marbles and watched by their juniors as intently as chess matches in Moscow.

The school is bigger than it was, with 660 pupils. There are more girls and fewer boarders as a proportion of the total; the beginning and end of the Oxford rush-hour are crucial events in the day. The whole school can no longer assemble on the playground for Japanese-style physical exercises conducted in the 1940s by that broad-chested Boer war veteran, "Colonel" J.C.Purnell.

Some teachers say, with approval, that the school has become more organised, more professional. That last word is certainly justified by the style of the fit young man I saw coaching the top rugger team; I was not surprised to learn that the girls now played netball rather than rugby.

"Life has become deadly serious," remarked one teacher, with more exercise books to be marked, more paperwork and more exams to be prepared for. On a brief visit I was not aware of many furrowed brows around the school, but it does appear that the teachers and the children have less free time in which to enjoy themselves. The atmosphere is said to be less relaxed.

It is also probably less inward looking than it was in the old days. The present headmaster, Nigel Richardson, who arrived from Uppingham a year ago, is the first holder of the post to have had no previous connection with the school. His arrival coincided with the departure of several long-serving members of the staff.

Yet the boys look and behave just as I remember them. They treat the masters as equals and address them by their nicknames. As Richardson points out, "there is a fine line between self-confidence and over-confidence." The comment on one Dragon leaver's report put the point nicely: "With a little discouragement this boy could do well." Their dress may be described, according to taste, as informal or scruffy.

I spent an hour with one of the senior forms. The boys and girls were bright, noisy, talked all at the same time and complained about the food. Was it my imagination or were they slightly more conventional, even conformist than they used to be? Their political views seemed to be on the centre-right; most of them felt that Margaret Thatcher should and would win a fourth term. (This was before the resignation of Sir Geoffrey Howe.) They were worried about the ozone layer.

Several of them looked forward to a career in industry – no sign of the anti-industrial culture here – although they clearly had in mind the managing director's office rather than the shop floor. The parent body is now more strongly influenced by the "enterprise culture" of south Oxfordshire and Berkshire and less dominated by the university. Among boarding schools Eton is the favoured destination after the Dragon.

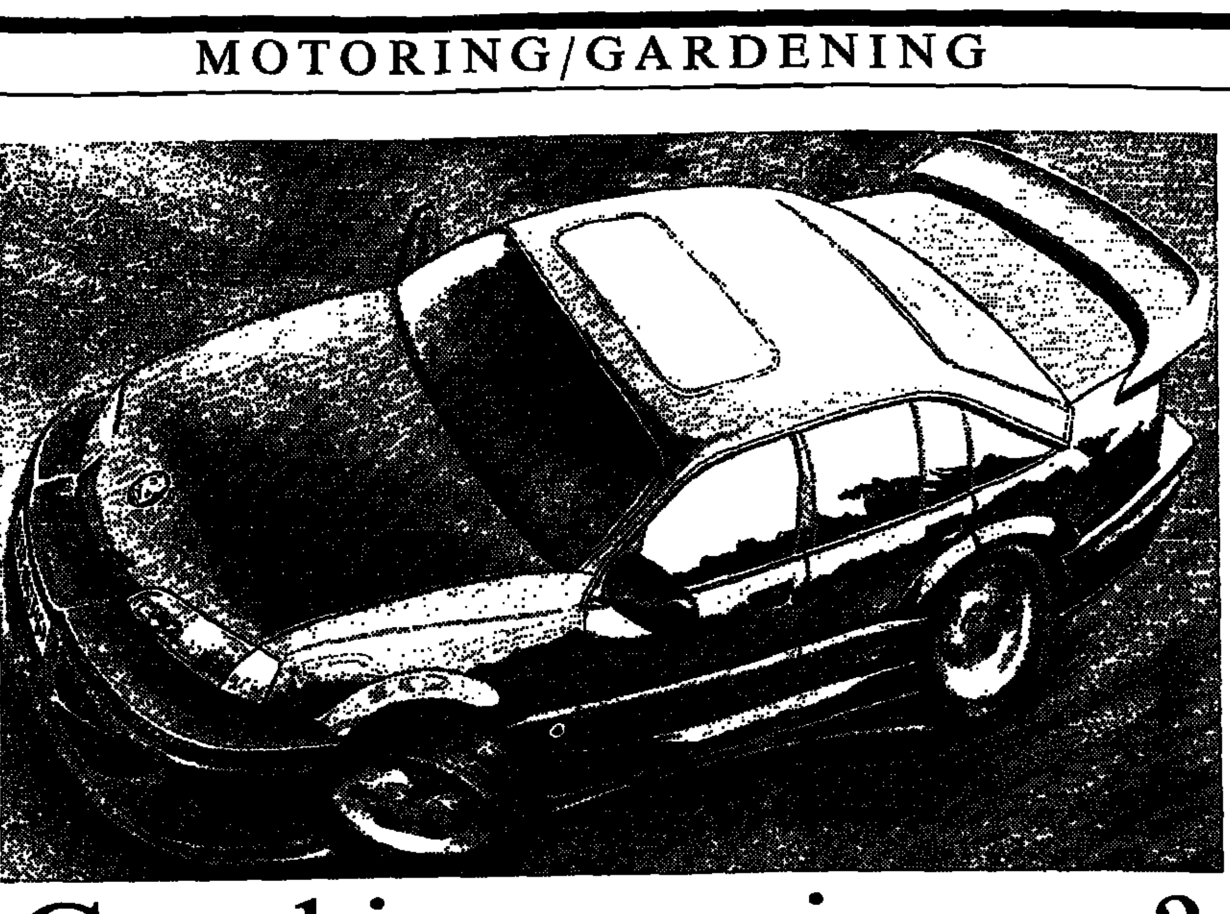
These children are, of course, in a middle class cocoon from which some of them will hardly emerge for the rest of their lives. Yet they seemed barely conscious of their position as part of a privileged elite in private education. Pressed on the subject, they thought it was right for parents who had worked hard and done well to buy a good education for their children. (At £2,350 per term for boarders, £1,450 for day boys, it needs to be good.) Some had been to state schools before the Dragon and knew what the problems were, but they were concerned that any levelling should be up rather than down.

The Dragon School is still very strong in the teaching of Latin and Greek, but the science facilities are better and no doubt will improve still further under the influence of the science-based entrepreneurs who are now well represented among the parents.

On current affairs they seemed much better informed than we were: some complained that they did not have enough classes devoted to the subject. As for their sources of information, the favourite newspaper was *The Independent*. Despite their support for Mrs Thatcher the *Daily Telegraph* was thought to be too right wing. The *FT* was dismissed as "all about shares".

In short, with their pro-business attitudes and their keen interest in what is going on in the world, they represent a splendid marketing opportunity for the *FT's* circulation department. Since the *New Statesman* does not have quite the same educational value as it did when Kingsley Martin was editor, may I suggest that the teachers start the ball *rolling* by reading out extracts from the *Financial Times* instead?

MOTORING/GARDENING



Gunship or racing car?

Stuart Marshall is bewildered by GM's latest executive toy

IT LOOKS AS aggressive as a helicopter gunship, could carry four people at speeds of more than 170 mph/273.5 kph – though the makers do not talk about that any more – handles like a sports-racing car and costs £48,000.

What is it? When it rolled off the assembly track at Russelsheim, Germany, and was shipped to the Lotus factory at Hethel, Norfolk, it was a Vauxhall Carlton or Opel Omega GSi 24v; in other words, a typical senior business executive's company car.

But that was before Lotus got to work on it. Although on arrival at Hethel it was fully equipped and ready for the road, the first thing Lotus did was to gut it. Out went the engine and transmission, brakes, much of the suspension and all the interior trim. In went a new engine with twin turbochargers and intercooler, a 6-speed gearbox and beefed-up drive line with a new rear axle. Racing type brakes were fitted and the normal wheels exchanged for a new forged alloy set, 17 inches in diameter and shod with Goodyear Eagle tyres nearly a foot (30 cm) wide.

The interior was lavishly re-upholstered in Connolly hide, the exterior modified with aerodynamic aids to keep all four wheels firmly on the ground at what are optimistically known as autobahn cruising speeds.

Grilles were let into the bonnet top to release some of the fierce heat created by the engine when hard worked.

Now badged as a Lotus Carlton (or Omega), it is the pride and joy of General Motors, the world's largest motor manufacturer – Vauxhall, Opel and Lotus are all GM companies.

The Lotus Carlton is a limited edition. During the next three years 1,100 will be produced for European markets, of which only 440 will stay in Britain. (There is no guarantee, but it could be a car one could stag a few weeks later).

Its vital statistics are striking. The 3.6 litre engine puts out 377 horsepower at 5,200 rpm and unimaginable amounts of torque (pulling power) from 2000 rpm upwards. From a standstill, a Lotus Carlton will hit 60 mph (96 kmh) in under six seconds. It leaps from 40 to 60 mph (64-96 kmh) or 50 to 70 mph (80-113 kmh) in third gear in less than half that time.

The only car one can realistically compare it with is the BMW 535i-based Alpina B10 Bi-Turbo. But whereas the Alpina B10 is, in the words of its maker, Burkhard Bovensiepen, "a car the owner's wife should enjoy driving as much as he does," the Lotus Carlton is machismo personified. "Designed to look like a weapon," Bovensiepen said to me. I rate it fair comment.

My driving experience of Lotus Carlton is limited; an hour or two at a private proving ground at Millbrook in Bedfordshire, and 50 alternately frustrating and exhilarating miles (80 kms) on public roads.

On a damp handling course with lots of curves the ride was harsh and jarring but the car felt glued to the concrete at ridiculous cornering speeds. On the high speed circuit it sat stably at a requested maximum 140 mph/225 kmh (something to do with the steep banking confusing the suspension, they said) with a lot of power in hand.

The ride was much better on normal tarmac but I thought the gearing was bizarre. At 1,000 rpm in sixth gear, the road speed is 43 mph/69kph. (On a motorway at 70 mph/113 kph, the engine is turning over at only 1,630 rpm, or half the rate of many a family car's. And a 3.2 Jaguar XJ6 cruises at 70 mph/113 kph at 2,500 rpm, not 1,000 rpm as my slip of the word processor had it last week).

If it is economy you are after, there is nothing wrong with tall top gearing but first gear is also absurdly high. Combined with a clutch that for weight and travel would not be out of place in a very old lorry, it makes moving the Lotus Carlton away smoothly from a standstill difficult.And it is a pig to hill-start or drive in heavy traffic. City centre motoring, or fits-and-starts crawling in a motorway tailback, would be about as pleasurable as doubling round a parade ground in full pack.

Few cars can possibly stand less in need of a 6-speed gearbox – because of the engine's enormous pulling power. The Lotus Carlton would be far nicer with a 5-speed box such as the Alpina B10's, much lower final drive gearing and a servo-assisted clutch.

Then (as one can in the Alpina), one could start easily in first, move straight into third and then fifth, dropping down to third for acceleration like firing a bullet from a gun. A good automatic transmission would, of course, be better still. Driving it as one can on a private handling track would be out of the question on public roads. Like it or not, they have to be shared with lesser cars, often driven by incompetent and inattentive people, and are of course speed limited.

All I will say is that overtaking in the Lotus Carlton is virtually instantaneous given responsible, not exhibitionistic or aggressive hands on the controls. The brakes fully match the potential performance and the power-assisted steering is sharp, precise and light.

What really intrigues me is why General Motors decided to make it at all, how much its development cost and what kind of return is expected on this investment?

There are no straight answers. To the first, the GM attitude (so far as I could establish one) is why not? To the second, there was no way the Lotus Carlton's cost could be separated from the company's overall research and development budget. That made my third point unanswerable, though no-one disagreed when I said it must run into tens, if not scores, of millions of pounds.

It seems a lot of money to invest at a time when the motor industry is under assault world-wide by environmentalists and conservationists and the police and courts everywhere are taking an increasingly tough line on speeding. Vauxhall says, quite fairly, that just because a car can do 170 mph and over, it does not have to be driven at such speeds. Quite. But buying a Lotus Carlton to use for everyday motoring would be like putting Concorde on the London-Glasgow shuttle, or an Inter-City 155 on the loop line to Dartford.

Or so it seems to me.

To its credit, Vauxhall will insist all buyers take a brief high performance training course before they get the keys to a Lotus Carlton, or sign a declaration that they have declined the offer.

In Britain, only 17 selected dealers will sell and look after the car which needs servicing at 9,000 mile (14,500 km) intervals. While it is being serviced, owners will have the use of an appropriate loan car like a Vauxhall Senator. It comes with the normal Vauxhall 12 month, unlimited milage warranty, plus Sureguard three-year/70,000 mile (112,600 km) mechanical breakdown insurance and Vauxhall Assistance benefits extended for three years.

What it should have in the glove box is an application form to join the 96 Club. This hires racing circuits such as Silverstone so that its members, who own cars in the Ferrari F40 and Porsche 911 Turbo class, can have a good blast round now and again to work off the frustration of having to drive at legal speeds on the road.

It's the only way a Lotus Carlton owner could ever begin to realise the car's potential. So what can one say of the Lotus Carlton? Is it inspired technology – or the latest example of a motor industry habit of providing hostages to fortune?

My own view, for what it is worth, is that it is clever but flawed and born out of its time. I'm glad to have had a chance of trying it but I can't think I would ever want to drive it again.

Which is not to say that I don't enjoy the occasional go at a car of high power-to-weight ratio. I do – especially if it is like the Porsche Carrera 2 with Tiptronic transmission I have on test now. More of this later in the month.

CHESS

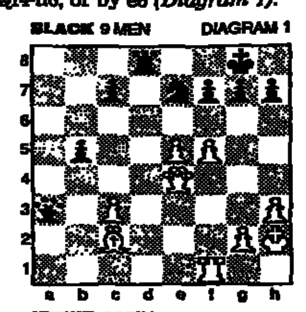
EARLY THIS week Kasparov and Karpov were deadlocked at 5-5, a win each and eight draws, as the grandmasters prepared to move from New York to Lyons, France, for the second half of the world championship match. Unforced errors featured in four successive games as K and K both seemed afflicted by tension. Kasparov's tactical skill, the cornerstone of his game, has malfunctioned.

Game eight astonished the critics. It was a marathon of 84 moves, the second longest among the 150 or so that K and K have played together; and each in turn spoilt a near-decisive advantage.

Play began, as in the three earlier games in which Kasparov had white, with a well-analysed variation of the Ruy Lopez 1 e4 e5 2 Nf3 Nc6 3 Bb5. Karpov's novelty on move 14 was a sharp central pawn advance, so that at every turn they had to calculate several possible pawn exchanges. The game slowed; Kasparov took 44 minutes for one move, Karpov 37. By move 30, both were down to their last few minutes to make ten moves and avoid an automatic time forfeit.

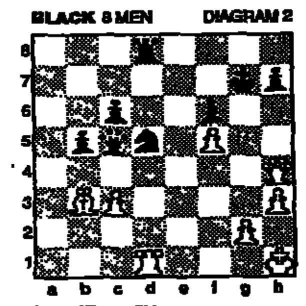
Kasparov found a hole in Karpov's line and massed for a king side attack. Karpov is under heavy pressure in the first diagram, and the continuation 30 Rg3, intending Qg4 or even Rxg7+, would make Black's defence very difficult. If Black plays . . . g6 White can attack by f6 with the idea of Qf4-h6, or by e6 *(Diagram 1)*.

BLACK 9 MEN DIAGRAM 1



WHITE 9 MEN

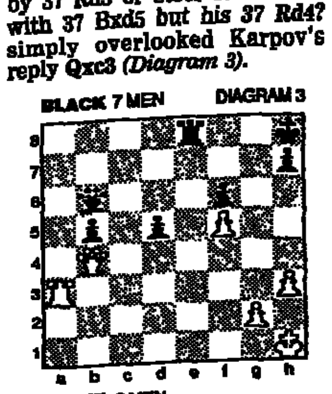
BLACK 8 MEN DIAGRAM 2



WHITE 8 MEN

Kasparov went 30 Qh4? He only had eyes for his planned 31 f6, but missed Karpov's defence 30 . . . f6! *(Diagram 2)* when if 31 exf6 Qd6+ and 32 . . . Qxf6 which stops the attack. Six moves later, the clock pressure was acute, and Kasparov suffered from what one observer called "too much adrenalin". White can attack by 37 Rd3 or steer for a draw with 37 Bxd5 but his 37 Rd4? simply overlooked Karpov's reply Qxc3 *(Diagram 3)*.

BLACK 7 MEN DIAGRAM 3

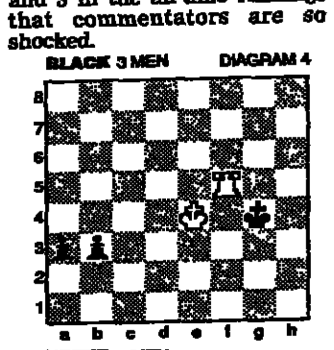


WHITE 6 MEN

After adjournment it was Karpov's turn to mishandle his advantage. Once more short of time, he went 53 . . . d4? and Kasparov wriggled out with a draw. Instead 53 . . . Qf2! meets 54 Qxb5 by Re1+ 55 Kh2 Qf4+ 56 Rg3 Re3 and wins. White's only defence is 54 Ra1 when Qe2 55 Rb1 Rb8 56 Qd6 Qe5 consolidates and prepares to advance the black pawns.

There have been as bad errors, or worse, in other world title matches. Probably it is because K and K have the demi-god status of Numbers 1 and 3 in the all-time rankings that commentators are so shocked.

BLACK 3 MEN DIAGRAM 4



WHITE 2 MEN

Problem 846: White to move *(Diagram 4)*; does he win, lose or draw? This century-old puzzle has some tricky play before the outcome is clear by, at latest, White's or Black's sixth move. As usual, the black pawns are moving down the board. The general rule is that two united pawns on the sixth defeat a rook, but here both sides have hidden finesses.

Solution Page XVII

Leonard Barden

BRIDGE

Two of Hugh Kelsey's books have been republished by Gollancz at £3.95. They will do much to improve your game. Let us start with Test Your Timing:

N
♠ 6
♥ A 8 3
♦ A 9 6 4
♣ A K 10 6 2

W
♠ A Q 9 5 2
♥ J 10 9 2
♦ Q 10
♣ 9 5

E
♠ K 10 7 4
♥ 4
♦ K J 8 3 2
♣ 8 7 3

S
♠ J 8 3
♥ K Q 7 6 5
♦ 7 5
♣ Q J 4

North deals with East-West vulnerable, and starts the auction with one club, to which South *replies with one heart*, and North rebids two diamonds. South now says two hearts, North raises to four, and all pass.

West opens with the ace of spades, and switches to the diamond queen. What line of play do you suggest? If declarer takes with dummy's ace, crosses to his queen of clubs, ruffs a spade in dummy, and then draws trumps, he could make 12 tricks. But is there any danger in this line of play? Yes. If the trumps divide 4-1, the declarer will be in trouble. The contract is not six hearts – South must play safely to *ensure 10 tricks. If* one trump is to be lost, South must lose it early, while dummy still has a *trump to control spades. Fur*thermore, he must allow the diamond queen to hold – otherwise he might lose a second trump trick. South ducks the diamond queen, wins the next diamond, cashes the ace of hearts, and concedes a heart to West's nine. He is in full control,and makes 10 tricks.

We turn to Test Your Defensive Play:

N
♠ Q J 5
♥ K Q 7 6 4 3
♦ 6 5 4
♣ 10

W
♠ 9 7 6 3
♥ 5 2
♦ A J 9
♣ A K 9 6

E
♠ A 10 4 2
♥ 9
♦ 10 8 7 2
♣ J 8 7 2

S
♠ K 8
♥ A J 10 8
♦ K Q 3
♣ Q 5 4 3

South deals at game *all*, and starts with one heart, West doubles,and North's four *hearts closes* the auction.

You are West, and lead the ace of clubs,on which East *drops the eight, suggesting* more interest in spades than in diamonds. What do you play at trick two? You *must assume* that East holds the ace of spades – otherwise there is no hope. He ia unlikely *to hold* the king as well – South would have opened with one no trump on his balanced 12 points. You must play your partner for the diamond 10. You switch to the diamond nine at the second trick, the declarer takes with his queen, draws two rounds of trumps, and leads his spade king. East wns with the ace, and returns a diamond, which enables you *to score* ace and knave, to beat the contract, and receive the congratulations of your partner. Two excellent books.

E.P.C.Cotter

Waiting for grottoes

Robin Lane Fox in damp places

IF THERE had not been so many crashes, I think I know where ambitious gardeners would be heading in the 1990s. It would not be towards the conservatory, *the Japanese-style trellis, the* rose-arch or the concealed charcoal grill. They have them already. They would be competing over grottoes.

Why have designer-gardens gone off the grotto? I know nobody who has installed one recently or even considered one. They have a long history but, when they turn up in great gardens, from Stourhead in Wiltshire to Italy's Caprarola, visitors look at them with superior detachment; whatever was the point of these quaint fantasies in some curious past?

Admittedly, they tend to attract rubbish: some of the grand old grottoes in Italy seem, from the rubbish, to attract nothing but lovers. A date in a grotto must be awfully damp and uncomfortable. The better sort of grotto drips and oozes water from its roughly-finished walls which are horribly sharp, like an above-ground fragment of Wookey Hole in Somerset.

One wing of today's garden taste could find everything it likes in the grotto's world. There have been historic grottoes, so there could be Georgian grottoes, Italianate grottoes and Period grottoes which have grot the lot: shells, mirrors, ferns, mechanical toys, little fountains and scope for those clipped, erect columns and upstanding verticalities which are being urged on us as the very essence of good gardening by Sir Roy Strong.

Grottoes bring an echo (but not too loud an echo) of the wild countryside into the town. They play on that opposition between nature and culture which is basic to all civilised thought in places like Hampstead: *they are extremely low* on maintenance (if you shoo away the lovers) and I am sure that they *would sell* by the dozen at Chelsea Flower Show.

Four hundred years ago, people in Europe liked grottoes for most of these same reasons. There was also something else. Grottoes reflected the classical past.

In Roman poetry and life, grottoes could be strewn with rose petals; there was scope for reclining, enjoying cooled wine and sporting with a dancing girl (or someone else's daughter) in a rocky, mossy recess. The classical past is no longer the mirror image to most people's way of life and so the grotto will not make its comeback because *of the poet Hor*ace's Pyrrha or the cave in which Dido and Aeneas fell into each other's arms. It might, however, make it to the market through descriptions of its high renaissance which it enjoyed in Europe between 1500 and 1650.

Among the ivy, against the cedar panels, is there a long, thin urban garden whose plot would not be better for a man-made grot? *Grottoes can easily be varied* for the gender-conscious. In the 1640s, the diarist, John Evelyn, *described the ultimate gentle*man's grotto in the gardens of the Aldobrandini family at Frascati, *about 15 miles* from Rome. You can still see its wonderful staircase of water but I *do not* recall the "artificial grotto where are curious rocks, hydraulic organs and all *sorts of singing* birds moving and chirping by force of the water: in the centre rises a copper *ball that continually* dances about three feet above the basin by virtue of a wind *conveyed secretly to a hole* beneath it." Computerised gadgets for the grotto are the unexplored market for gardeners who hate gardening and want to escape from mowing.

At Pratolino, further north, Evelyn admired a gentler grotto for the opposite sex. It was set with coral, shells and copper and marble figures *so* that the force of water moved scenes of the "huntings of *sev*eral beasts." *Foxes would be a* possibility for the women of Old Leicestershire. There *would also be scope for the* hooray-habits of the owners. "Slender pissings of water" made an unexpected arch with which to soak male visitors at the turn of a key. In the grotto's back wall, you might like the "woman in white marble in posture of a Laundress, wringing water out of a piece of linen very naturally." At Pratolino, however, the laundress was believed to be a work by Michelangelo.

I cannot *think* that construction would be too difficult. Grottoes should be tall enough for head room but they were always artificial and nowadays *we fake anything*. Concrete facings would be excusable and I'm sure there is scope for a rough DIY finish, applied with a broad garden broom and left to set like shaggy stalactites or simulated Designer Drips. The computer-gadgets could all be run off the key-pad of the house's burglar-alarm and there would be ample scope for angular mirrors to make the garden look bigger. As for the planting, you know how plantspeople nowadays go wild about ferns.

As the designers usually tell us, this garden feature would be a good investment, or at *least no worse than most* of the others which have been sold to us all with the same *recommendation*. In the 18th century it was particularly fashionable to hire a hermit, or one of the *rural poor, to live in your cave* and look picturesque. In the late 20th century, we might *soon like to reverse* the roles: equipped with a grotto, we can abandon the house to its mortgagor for repossession and retreat to the grotto for debt-free living and lessons in learning *to* like the damp.

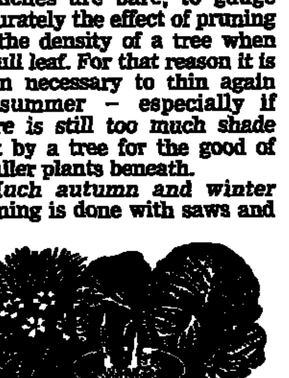
The kindest cuts of all

WHEN TREES are grown primarily for their foliage it makes little difference when they are pruned. I would have no hesitation in removing damaged or diseased branches at the earliest possible moment, whatever the month. Nevertheless, tradition prescribes the period of dormancy, from the time leaves have fallen in autumn until the growth buds are beginning to open in spring.

This has always been regarded as the best time to do any serious reshaping or cutting and it certainly has its advantages since it is easier to discern the branch pattern of the trees and to work out the best way to improve them or to reduce their size.

It is not so easy, when branches are bare, to gauge accurately the effect of pruning on the density of a tree when in full leaf. For that reason it is often necessary to thin again in summer – especially if there is *still* too much *shade* cast by a tree for the good of smaller plants beneath.

Much autumn and winter pruning is done with saws and



lopping shears *rather than* with knives or secateurs. It is a matter of removing whole branches rather than of thinning twigs. The aim must always be to get rid of disease and, if necessary, to reduce overall size or branch density so that the trees do not exclude at ground level so much light over such a wide area.

Nearly everyone, except those with long experience or expert training, *plants* trees too closely at the outset. When you see young saplings spaced *15 to 20 feet apart they look* ridiculously sparse. It requires quite a lot of imagination to visualise them in 20 years time when they will have grown into one another and be making an unbroken canopy of branches which will severely limit the possibilities for under-planting.

One can fell some of the trees, which is precisely what foresters do, and this is advantageous to the trees since, when young, they benefit more from closer company than they do later. Far-sighted gardeners do just the same. They probably know from the outset which are intended to be the permanent trees and which the nurse trees, the temporary fillers that will be cut down, a few at a time, as they begin to overcrowd. However, most gardeners are not concerned with problems on that time-scale – or are even aware how rapidly most trees grow. They will plant five or six which look nice in the garden centre only to discover, 20 years later, that they have space for no more than one or two.

There are really only three basic rules for tree pruning. The first is to leave no stubs, or truncated branches, which look like amputated limbs; the second is to preserve so far as possible the natural branch pattern of the tree unless there is a positive reason to change it – as when trees are pleached; and the third is to make clean cuts.

Branches can be much heavier than one expects, those of some trees more so than those of others. An oak branch, because *of the density of its* wood, could weigh twice as much as a similar branch of a softer wood *such as birch or* poplar. If one simply starts to saw straight through a large branch from above it will come crashing down well before you are right through, tearing away wood and bark on the underside.

The way to prevent such a disaster is to start by cutting upwards from the underside of the branch – I would suggest a quarter of the way through. Then one starts to saw from above, but two or three inches further out than the undercut.

When the two cuts are level, or nearly so, the branch will break off cleanly at the undercut, *leaving a small piece to be* cut off in the normal way. If a heavy branch is to be cut off *close to a main trunk, I would* recommend taking it in two separate operations; first the removal of most of the branch, say to within a foot of the trunk, and then the removal of that final foot.

Contrary to popular belief this final cut need not be flush with the trunk. Quicker healing will result if it is made about a half-inch out. It is in this basal area of the branch *(known as the branch collar)* that the most active growth cells reside which are able to *cover the wound with new tis*sue quickly.

Arthur Hellyer

FOOD & WINE

Why The Archers is a lesson for chefs

*Director **Joe Hyam** outlines his hopes for the newly-opened Academy of Culinary Arts*

REGULAR listeners to *The Archers* will know that Jean-Pierre, the highly improbable French chef at Grey Gables, recently defected to Nelson's wine bar with dramatic consequences. The result of his sudden departure from the country house hotel in Ambridge to the wine bar in Borchester, was chaos and panic in the former and an unprecedented increase in business in the latter.

Significantly, Jean-Pierre lay low at Nelson's and his presence was only revealed to Jack Woolley, his former boss, by a dish of venison with small green lentils. It was the cooking alone, unsupported by reputation, that brought the increased business.

Buried in this episode, however fanciful, are a number of lessons about the way the British look on food and, in particular, restaurant food.

There is still, to begin with, the slightly embarrassed attitude which seems to say: this may be for us but it is not of us. The chef, you will note, is French, although it is far more likely nowadays that he would be one of a new generation of young, native, British chefs.

Then there is the sense of mystique as distinct from mechanism. Only Jean-Pierre, it is implied, as though the inspiration had come to him direct from God, would serve venison with lentils whereas "lentils with everything" is one of the most noticed culinary modes of the 1990's.

It would, in fact, be surprising if every restaurant in Borsetshire were not dishing up something or other with lentils.

Yet, behind the half-truths of the script, and the imperfect culinary knowledge of the script writers, is one compelling reason for the newly-established Academy of Culinary Arts.

The British public is now interested in gastronomy as never before. Of that there can be no doubt. Consider the number of cookery books they buy every year and the accumulated hours they spend watching chefs on television. The interest is there but not the understanding.

It would be idle to claim that the Academy of Culinary Arts is likely to perform a piece of cultural surgery which, in two or three years, will transform the average Briton into a gastronome. But it can and will help a finer appreciation of one of the best things in life and, indeed, help improve the quality of life in Britain by making good, honest even simple restaurant cooking more widely available.

Apart from luxury restaurants it will benefit pubs, brasseries and bistros, school, hospital, airline, airport and railway catering.

It will do so, in the first place, by offering specialised training from September 1991 in such fields as patisserie, bread-making, brasserie cooking and service, the cooking and service of banquet menus and the skills and understanding associated with the cooking of vegetables and vegetarian dishes, poultry and game, shellfish, charcuterie and pasta.

'The academy will help improve the quality of life in Britain'

It will offer chefs the opportunity to broaden their experience and sharpen their knowledge of nutrition, health and hygiene, the chemistry of cooking, legislation and information technology.

It will allow chefs who see themselves as craftsmen first and managers second, to be equally at home in both fields. It will, in time, offer diplomas to those who achieve the highest standards in both fields and thereby place itself alongside such august bodies as the Royal Academy of Music, the Royal Academy of Dramatic Arts and the Institute of Chartered Accountants.

The academy, which has been five years in the planning, hopes to achieve these goals through a combination of a solid financial base and the close co-operation of the top 100 chefs and restaurant managers in this country who are already members of the British chapter of the *Académie Culinaire de France*.

Registered as a charity, the Academy is being financed in two stages. The first was completed within a month at the end of 1989 and began with a contribution of £100,000 from the Department of Trade and Industry. A further £150,000 was raised from British Airways, Seagram International, the Savoy Educational Trust, Reed Publishing Group and leisure group Chelsfield.

The second stage, which is about to begin, will be aimed at the hotel and catering industry. Its members will be direct beneficiaries of the academy's services. There will be a two-part investment package offered in the Academy of Culinary Arts plc, the trading company and wholly owned subsidiary of the charity.

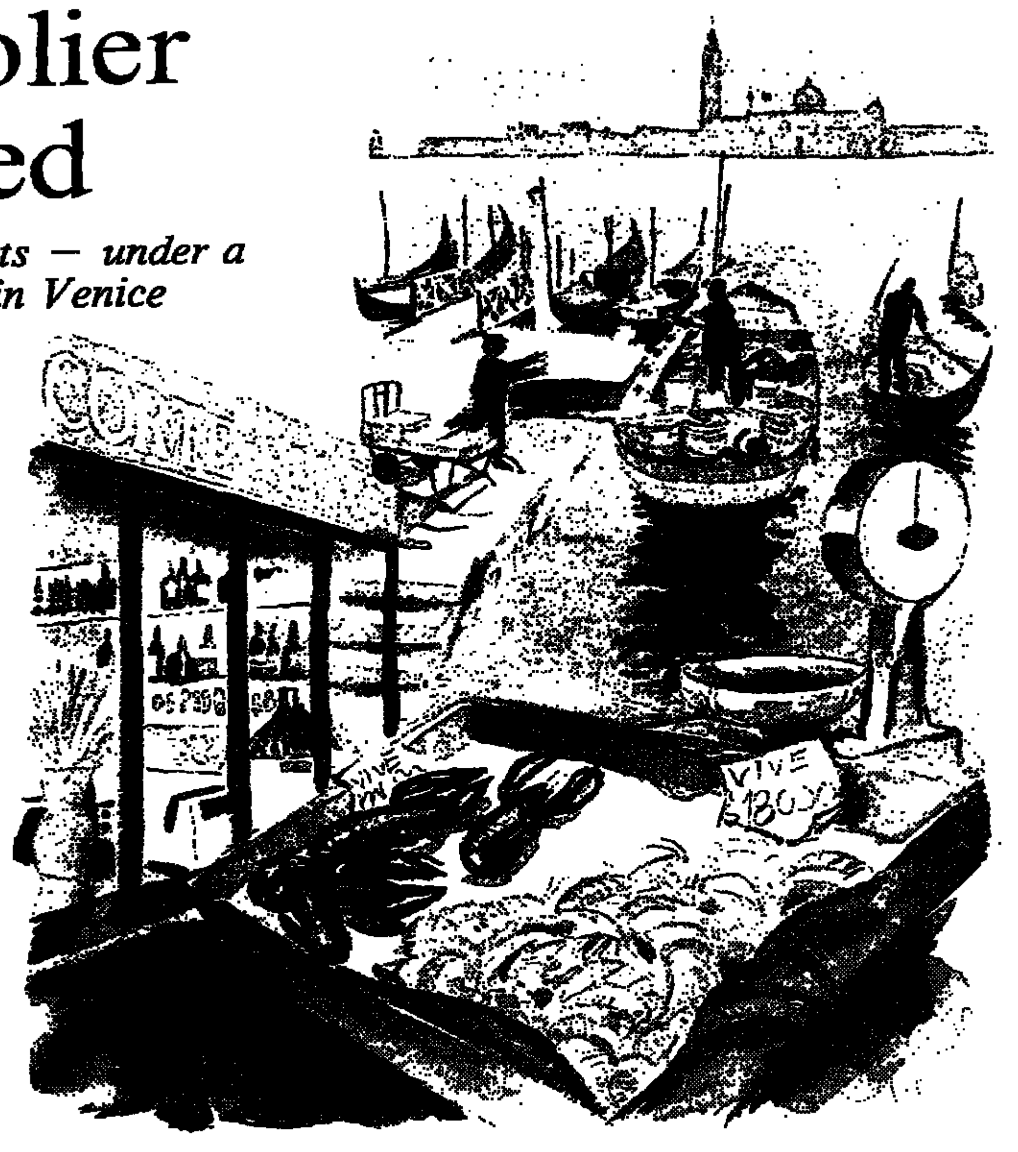
The units, valued at £10,000, will be made up of £5,000-worth of debentures secured against premises and £5,000 worth of shares against services, teaching benefits and membership of the National Advisory Catering Council. The council's sole purpose will be to represent the interests of the catering industry to the governors and directors of the academy.

It is a proposition which will prove especially attractive to those with an interest in the future growth of the hotel, catering and leisure industries. As an organisation, the academy will, I hope, will be an attraction for the country as a whole because its overriding aim will be to make good cooking accessible to more and more ordinary British people.

■ *Academy of Culinary Arts, 20 Old Steine, Brighton, BN1 1EL. Tel: 0273-623300.*

The gondolier who cared

Nicholas Lander sits — and eats — under a picture of Sloth and Greed in Venice



WHILE HIS colleagues noisily played their brightly coloured cards in the shadow of the equally exuberant facade of San Moise, one gondolier sat alone and prepared his lunch.

He took off the lid from his plastic bowl of lamb's lettuce and rocket, anointed it with his flask of green olive oil, a squeeze from his carefully unwrapped lemon quarter and a shake from his portable salt and pepper.

He tossed his salad with care and then, undeterred by either the cries from the card table or our stares, proceeded to eat it with gusto.

Venetians do care about food, even if Venice is not known for its food or its restaurants and many fellow Italians can be downright disparaging about the food in this magical city.

There are many restaurants offering only tourist fare but there are also gems which, because of the ease one can wander around Venice, are not too hard to find.

To anyone keen on eating and drinking well, Venice offers very particular delights. First, it does benefit from typical Italian generosity — when you sit down at Da Raffaele, (Tel: 5232317) to a plate of bresaola and a salad of rocket, a whole bottle of extra virgin olive oil arrives too. Second, the proximity of the water and the views from restaurant windows and balconies can lift any meal from the mundane to the memorable.

Most significant, however, is the fact that the geography of Venice has solved one of the biggest problems facing those who enjoy their food and wine — the problem of drinking and driving. True you can always fall into a canal, but then you can walk under a bus or tube in any other city. But most restaurants in Venice can be reached on foot or by vaporetto and there is not the problem of having to add a very expensive taxi fare to an already steep restaurant bill.

Even a boat trip to one of Venice's most expensive restaurants, the Locanda Cipriani (730150), on the island of Torcello, by waterbus no 12, costs less than a £1 one way and the sea air does wonders for the appetite.

A short boat ride from behind the Accademia to the island of Giudecca brings you to a simple trattoria that doubles as a pizzeria at night which offers wonderful views. Do Mori (5225452) was started by two waiters from Harry's Bar and its specialities now are pasta, pizzas, almost too big to finish at £3.75 each, and very good desserts such as persimmon tart.

Back in Venice, a short walk past the Doge's Palace by the bobbing boats along the Riva degli Schiavoni and into the area around San Giovanni in Bragora, brings you to a restaurant that offers neither a view of the water nor great comfort but simply the best fish in Venice.

When the weather is warm you can eat outside in the trellised courtyard at Corte Sconta (5227024) but in the winter the restaurant looks out across a narrow lane to a brick wall. Difficult to find, Corte Sconta is also difficult to get into; it is closed Sunday and Monday, January and July and you should allow two to three weeks for a booking.

It is however well worth the long distance phone call. Opened by Englishman Hugo Pratt it is now run by Claudio and Rita Proietto and their sister-in-law Lucia Zambon. They do have a menu in the window but not too much attention should be paid to it. The real menu, complete with English translation, is on the back of Rita's order pad.

Arriving at the table with a smile she immediately tells you that Corte Sconta is a fish restaurant, although naturally spaghetti with a tomato sauce is available for children. Any possible misunderstanding out of the way, she tells you what is available: antipasti of seafood, three types of pasta with seafood, and then a fish course.

Bewildered, you cannot even decide which type of pasta you would like, so you get all three.

That is only a rough outline as for no more than £40 per person — including two bottles of their own appley, still Prosecco and very friendly service — we were served a crab pâté with toast, a wonderful dish of salmon marinated in olive oil with rocket and pomegranate seeds, clams sautéed with ginger and a spider crab served warm with lemon juice and black pepper.

To follow all this came what had been described as our first course, a large plate of seafood, octopus, langoustines and small peeled prawns with lemon, and then the pasta: linguine with the cheeks of monkfish, tagliatelle with clams and spaghetti blackened by the ink of cuttlefish — a truly Venetian delicacy.

On then to the main course served with a salad prepared at the table and finally the most simple of desserts, biscuits baked in the kitchen just that morning with a small but powerful glass of warm zabaglione.

Corte Sconta can offer this food because its proprietors care and work hard but also because of its proximity to the fascinating fish market in Venice just over the Rialto bridge. Pollution of the seas and overfishing may have deprived the market of some of its splendour but it is still a remarkable place to visit.

Always noisy, the market rises to a crescendo just before it closes about 1pm as the stallholders try to sell all their stock to make way for tomorrow's catch and fish are filleted faster than ever. A visit at this time also allows you to walk over a little wooden bridge to the Poste Vecie for lunch (721822).

Although you can eat outside in the summer, Poste Vecie is dark and somewhat sombre inside with murals depicting the seven deadly sins. We sat under Greed and opposite Sloth but undeterred devoured a well-cooked lunch and paid just under £30 each with a good Ribolla and service. The first course was a wonderfully creamy seafood risotto in which mussels played a major part and this was followed by another typical Venetian dish — a stew of young eels with bay leaves served on an island of polenta. The pasta, fish soup and rich tarts are recommended.

Venice is not short of expensive places to eat but one of the more recent culinary developments has been the rapid growth in the number of wine bars which serve simple, inexpensive food and now are as difficult to squeeze into as the plusher restaurants. Workmanlike Al Volto (28945), popular Do Mori (5225401), oenologically superior Vino Vino (5224121) and student-frequented Ai Assassini(6200273) all offer a good range of Italian wines by the glass and bottle.

We went to Ai Assassini one evening and it certainly helped to bring down the average cost of eating out. There is a good selection of snacks behind the bar similar to Spanish tapas: plates of cheese, salami, salt cod and crab claws and olives. The olives were stuffed with minced meat then deepfried and washed down with a bottle of Bonarda and followed by almond and chocolate biscuits and a glass of sweet wine.

The bill for three adults and two children came to £20 in total and left us all with yet another reason for wanting to return to Venice.

Built on a grand scale: The Towers is the largest and – at £25m – the most expensive house on the London market

Mere millionaires need not apply

***John Brennan** views the largest house to be built in London this century*

FIRST TAKE a two and a half acre site costing some £5m in that part of East Finchley *which is expensive enough to* regards itself as Hampstead.

Then deep-pile the foundations necessary to support a property clad with half a million hand-cast bricks. Add more than 100 windows and fit them with a couple of thousand double-glazed panes of glass. Allow 29,000 sq ft of space to fit in 18 bedrooms, each with its own bathroom, and a master bedroom suite with sufficient floor area to absorb all the space in a couple of large mid-war semi-detached houses.

Add a banqueting hall, library, indoor swimming pool, spa bath, steam room, sauna, squash court and an integral 12-car garage. Leave scope for another 50 car parking spaces on the forecourt and, give or take a few million pounds worth of detailing, you have "The Towers". That is the house that the Smyth brothers, John and Tony, are building on "Millionaires Row", Bishops Avenue, London, N2.

What the Smyths' design and building company, Relicpride, has under way is not merely the largest new home to be built in London this century but also the single most *expensive house* ever to be put on the open market in the capital. The guide price: a cool £25m.

In a rare example of estate agency understatement Savills' Paul Taylor, now charged with the task of finding that £25m buyer, accepts that: "It does take an act of faith to build a property like this on a speculative basis."

Fourteen months ago the site, of what was once the London home of singer Gracie Fields, was attracting bids based on the scope to use a planning consent for three vast private houses. The Smyths bought the land and decided to combine the permissions to create a single mega-mansion.

Relicpride has specialised in serving the local market for homes on a grand scale by improving and adding – often substantially – to a number of the big but generally architecturally undistinguished detached houses in the Hampstead and Hampstead Garden Suburbs area.

Knowing the gap between what clients ideally would like and what can be done within the limitations of the sites and framework of existing homes, the builders have set out to develop the kind of property *that overshadows even the* most opulent of the area's *mansions*.

"They have incorporated within the design all the basic elements that the kind of person who wants a major *London* home could want," says Taylor. "It is for people who want to entertain on a big scale, and it is a large enough house to accommodate an extended family plus an entourage in a very grand and very impressive style.

"The site is particularly impressive because you have two and a half acres, much of which is at the front of the house, to provide a sweeping setting for the property."

There is a narrow market for homes priced in the double-digit million range. Only a handful of important London houses have broken the £10m price barrier. Beyond £12m to £14m the number of achieved sales – as opposed to impressive asking prices – is a matter for conjecture.

Even adding in major country estates, no more than half a dozen such sales have been recorded in Britain. Only "The Holme", the biggest of Regent's Park's original villas, has been talked of in price terms that are comparable to "The Towers", and in that case the property is not formally on the open market.

The price self-evidently limits the range of potential buyers to a handful of the world's wealthy. Those few would be further reduced by the scale of the place. That draws the focus fairly sharply on to Middle and Far Eastern family buyers with the need for ample accommodation and a preference for properties with presence.

Paul Taylor obviously would be content with an unexpected bidder, but he agreed that: "It is an Arab-scale house and there are a lot of Middle East *families who already have* homes in London who have not been able to find the type of property they want. Many families have had to buy three or four houses and this provides a chance for them to bring their London homes together in a single property of the size and standard that they would like."

The house is being released for sale shortly as the exterior and framework nears completion. Whoever does buy will have scope to decide how the property is fitted out.

As for that price tag, Savills make the point that "The Towers" *is able to claim "unique"* status, and thus a high degree of insulation as an investment, without any real dispute. It is *unlikely that such a site will* become available in any comparable area again. It also is, indisputably, the biggest and most expensive new home in the capital.

As Paul Taylor says: "I'm not saying that people are queuing up but there most certainly is a market for the house. After all, people pay that much for a single picture to hang on the wall and four or five million to put a few classic sports cars in garage . . ."

Just in case any first-time buyer is attracted by the idea of never having to worry about trading-up again, "The Towers" is 262 times more expensive than the current average house price in London and a 100 per cent mortgage would cost about £290,000 a month in interest repayments.

Sun sinks in the west

***John Brennan** on a cash-starved country house sector*

THE MID-1980s exodus of homebuyers west from London along the M4 motorway corridor has slowed in line with the market as a whole.

The days when the sale of a London home at a generous asking price opened up a choice of residential farms and country houses ended as properties deep into Wiltshire and *beyond came to be valued on a* national, rather than a purely local comparable basis. Even then, ready access to mortgage funds bridged the gap between town and country until the housing market as a whole went into purdah in late 1988.

Since then the mid-range country house market has been starved of cash from London home sales. For long it also has been starved of supply as owners who had become used to seeing queues of competitive bidders clustered around every half-decent looking country home took time to accept that asking and offer prices don't always equate.

Savills, which has been exercising its calculators on a 600 *house national sample of country* properties valued annually to create a country property index, records above average price growth in the west from 1985 to 1988. After a 38 per cent surge in values in 1988, sample values for the West Country recorded virtually no growth in 1989. Thus far this year the index suggests an 8.4 per cent drop in value. On that evidence, the agents take the view that "properties in the western region currently look relatively cheap."

Job relocation moves have helped to underpin demand for homes along the western corridor. That is evident in the fact that, although the sale market has been blighted by would-be buyers *with* unsold homes and would-be vendors with overly fond memories of yesterday's values, the house rental market has been untypically strong from Berkshire through to Avon.

It is the margins of the sales market that has been hardest hit. Flats in Bath, the height of fashion for second home buyers a few years back, have tumbled in price by as much as 25 to 30 per cent of their 1988 peak, according to David Richardson in the Bath office of Hamptons.

"It is the decent quality, £100,000 to £250,000 flats in Bath that have been really *hard hit," says* Richardson. The second home and investment rental buyers who once competed to drive prices up have given way to "vulture" bidders. They regard two thirds of an asking price as the starting point for a Dutch auction.

Out in the country the best of the properties on offer have been attracting the best of the buyers and, as a result, the best homes have held their value better than the average. Down among those "average" properties – the not so ideally sited houses, the "uglies", and the faded properties in need of improvement – only substantial price reductions can attract buyers' attention.

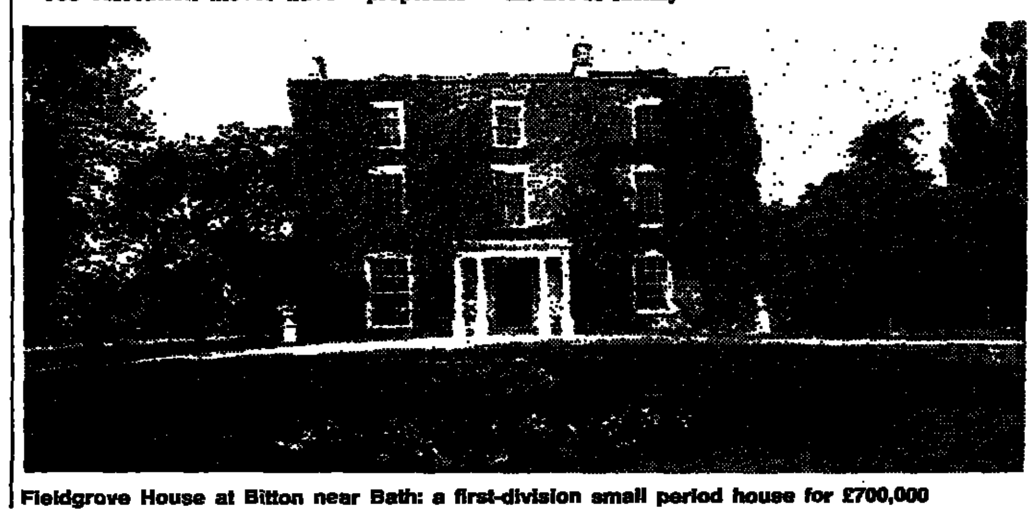
That is the bargain layer of West Country properties right now, those where prices are having to be deep-discounted to be made them salable but which could, with a bit of cash and attention, make good country homes.

Fieldgrove House at Bitton near Bath, however, has no problems about justifying its ranking in the first division of smaller fine period houses. The Georgian frame of this seven bedroom house belies its Elizabethan origins. Modernised and set in 15 acres of grounds, Hamptons in Bath (0225-443003) has set a guide price of £700,000 for the freehold.

Richardson says that some buyers' current passion for bargain hunting is such that: "If you were to *put a house* like Fieldgrove on for £200,000 you'd still get someone who would offer you 50 per cent."

Nevertheless, he believes that there is still a sufficient number of buyers around who are willing to pay for quality to justify the Fieldgrove price, even though that is probably no more than 10 to 15 per cent lower than at peak, 1988 values.

"The gap between the good and the not so good properties *has clearly widened a lot* in the past year," he says. "People are insisting on, and getting, a really wide margin *of* price to allow for repairs and restoration costs. When the property is up to scratch, although there are fewer buyers around prices have tended to hold."



Fieldgrove House at Bitton near Bath: a first-division small period house for £700,000

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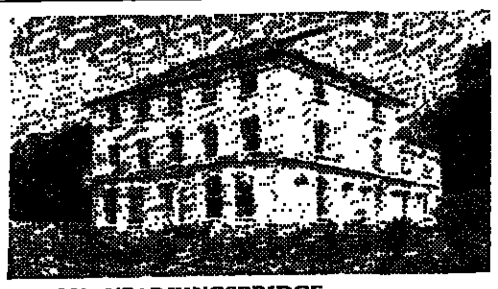

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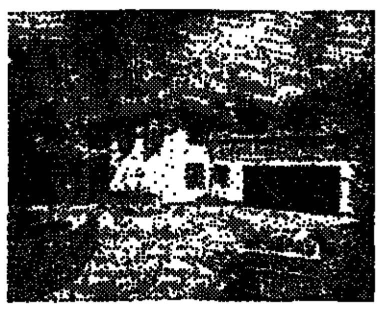

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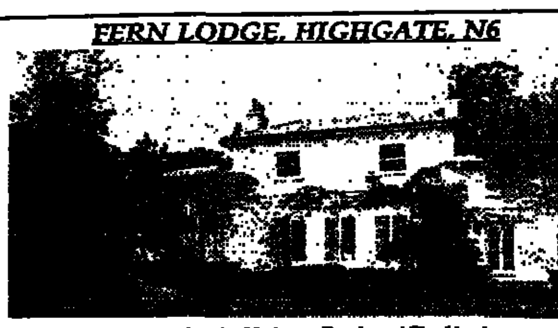

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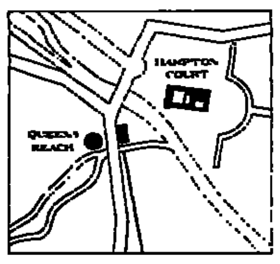

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HOW TO SPEND IT

On the first day of Christmas I spent £¼m

BEFORE flying to New York, Lucia van der Post told Michael Thompson-Noel that he could have any sum of money he wished with which to buy himself Christmas presents.

"You have style and you have wit," she told him. "But you look seriously under-funded. I can remedy that. *My* budget is under-spent. What is the most glamorous sum that you can think of?"

"Lord King's salary," he replied.

"Then you shall have it," he was told. "Cast reticence aside. Use up every penny. I never handle change. You deserve a memorable Christmas."

On which note, she flew away.

NEVER, IN my wildest dreams, did I expect to see a sum as large as Lord King's salary.

Gold, yes. Frankincense, of course. The notorious Roman "Sevso" hoard of antique silver, possibly. But *Lord King's salary?*

As the tail-lights of Miss van der Post's plane glittered in the violet sky over Heathrow, I fell to pondering the pleasure – the mind-expanding thrill – of the task she had set me. How big was Lord King's salary? How long would it take to spend it?

As chairman of British Airways, Lord King's gross salary plus *performance-related* bonuses in 1989-90 totalled £515,818. He is said to be worth every pound, for he runs a good airline; but £515,818 seemed a trifle overpowering, even to me, so allowing for tax and a donation to charity I *lopped it in half, just like that*, leaving £257,909 for Christmas presents.

You can have a pretty yeasty Christmas on £257,909. It has a fruity sound to it, trips easily off the tongue. But to spend it with aplomb I would have to break the habits of a lifetime. I seldom spend money on myself. I told my mother once: "I am a difficult person to buy presents for." "In that case," *she replied*, "you shouldn't be surprised if you don't receive any."

After an hour's contemplation, I decided that I would buy two extremely costly presents – a Bentley and a racehorse – and would spend the remainder on *miscellaneous* treats. The racehorse was a problem. You can spend fantastical sums on horses, so I decided to buy the Bentley first, then the small-time treats – and finally the racehorse, mopping up whatever sum remained at the *conclusion of my spree*.

Call me vulgar, but I have always lusted for a Bentley. I am not a small-car person. I have always fancied the idea of *sliding* into the crypt-like hush of an absurdly expensive car, clunking shut the door and then motoring off to Ascot to bash the beastly bookies.

"How about that convertible?" I asked, a few days later. I was sitting in the showroom *of* Jack Barclay's, the Rolls-Royce and Bentley dealer of London's Berkeley Square, chatting to super-salesman Malcolm Sargeant and pointing at a phosphorescent Bentley Continental parked on the floor in front of us. "It really does look nice," I said. "How much for that one?"

Malcolm swivelled elegantly, and then turned back to me. "That is a used car," he said. "An *extremely* exciting car. I was riding in it yesterday. A white Continental with black *interior*, black lacquered woodwork and black mohair hood. A *very* exciting car. One owner, 5,000 miles, registered January 1990. It is *extremely* quick and silent."

"How much?" I asked.

"£132,500."

"That is certainly a lot," I said.

"The *recommended retail* price for a *new* Continental is £142,985.54."

This really *was* exciting. *I* inquired about the owner. Was he purchasing another one?

"Indeed he is," said Malcolm. "An identical white Bentley *Continental, black interior*, black lacquered woodwork, black mohair hood."

I said: "This is starting to sound surreal."

"On the contrary," said Malcolm. "The owner buys a new Bentley every 12 months. He *gets excited* ordering it, and enjoys the build-up to the day when it is ready for collection. *That is always an exciting day*. These are extremely special cars. I have shut my eyes to the rest of the motoring world since 1957. For 33 years I have sold only Rolls-Royces and Bentleys. I do not know about the future of motoring generally, *but the future of these* beautiful cars is exceptionally rosy."

Coffee was placed in front of us. We talked as if in church.

I said: "I imagine there are cheaper Bentleys. Do you happen to have a price list?"

"I do," said Malcolm. "You shall have one on departure. The recommended retail *starting price for a Bentley* Eight is £79,811.82, with plenty of extras available – piped upholstery, matching carpets, special cocktail arrangements."

"I will pass on the piped upholstery," I said, "but put me down for an Eight. Any colour but black."

On which note, I reeled into Berkeley Square – £79,811.82 *down but with £178,097.18 still* to spend. I turned towards Oxford Street, realising that as a Bentley owner *I* was urgently in need of a wardrobe. Actually, my wardrobe is alright. It is the contents that so upset me. I own one good suit and some gigolo shoes from Florence. Otherwise: catastrophe. Some highly flamboyant ties, some ill-fitting shirts, an impresario's overcoat at which bus conductors laugh. Nothing really fits or *goes* because I buy my clothes in panicky haste. I hate the whole experience, hate being patronised by mirthful assistants.

By the *time* I reached Selfridges, I had convinced myself that a fellow with £178,097.18 in his pocket was unlikely to be patronised anyway, and so it *proved*. Whenever staff approached, I told them: "I am buying *racks*. I really must concentrate. Please go away."

On its first floor, Selfridges has a wide choice of men's *designer clothes, particularly* Italian, including some very sharp gear by Louis Feraud – a £350 overcoat, jackets at £245, trousers £125, suits £325-£415 – and Umberto Ginocchietti. I liked the colours, liked the cut. I was also attracted to a lemon-coloured Gant raincoat (£245) and to some good silk shirts (China-made, £75 each: the *shirts are on the ground floor*).

There are two other London clothes shops on which I am keen: Browns, in South Molton Street, which stocks ultra-chic designer wear, and Gieves & Hawkes of Savile Row, where the power-dressers go. At *shops like these, money just* evaporates. I calculated that if I was to buy a reasonable amount of gear I would need to spend £2,000 at each shop, plus £1,500 on shoes and £1,000 on accessories. Total: £8,500. Result: out of this world.

I had now got the hang of things. Shopping is a habit. I was starting to succumb. I no *longer felt intimidated* by the money I had to spend.

With lunch approaching, I *strode* south into Jermyn Street, determined to make an impulse buy at a shop I have always liked, Arthur Davidson, which specialises in rather showy European antiques. You might wonder why I did not do something intelligent, like *prowl the auction showrooms* in search of a bargain. But that takes time, whereas to demonstrate one's *connoisseurship* and flourish one's chequebook, all in the space of a minute, can be wickedly intoxicating, as Imelda knew well.

The object I liked at once in Arthur Davidson's shop was a 17th century Dutch backgammon table with a full set of pieces. But I was wary of the price, £36,000, so I settled for a pair of globes, *also Dutch* – one terrestrial, one celestial – of about 1780, priced at £14,500.

Not bad, I thought, pausing for lunch in Greek Street. The morning had been expensive, but I still had £155,097.18. However, I was now facing crunch-time. A *half-wit* can buy a Bentley, or clothes, or two globes, but the time had arrived for me to demonstrate true class and taste – by buying a contemporary painting.

To do this, I crossed central London to Westbourne Grove, in Notting Hill, where Daniele Dodd, a spirited Frenchwoman, is involved in the small but megawatt Hancock Gallery, where she sells fine contemporary and modern art. Her taste and mine *coincide exactly*.

From November 27, the Hancock Gallery is staging an exhibition of work, mostly paintings, by a Chinese artist, only 26, now living in Paris, Chen Jiang Hong. His figurative paintings are beautiful: not at all *what I would associate* with China but of a kind, he says, that is long overdue, "devoid of deference to the current system and suggestive to the West of the opportunity of a different kind of China."

Chen Jiang Hong trained at the Institute of Fine Arts, Peking, and the Ecole des Beaux-Arts, Paris. "He is *extremely* cultured," says Daniele, "with the manner of an aristocratic Frenchman – quite extraordinary. He is full of passion, and very dramatic. Sometimes he is 26, sometimes 80. He has wisdom." One of the painting at the Hancock Gallery *that most caught my* eye was *Reve*, oil on canvas, 39 ins x 39 ins, price: £3,500. Remember the *name*: Chen Jiang Hong.

Across the road from the gallery is a small but pleasing shop, Quip, run by Graeme Bruce, that sells high-class lighting. He has another shop in Cambridge. Many of the pieces are original. Some are made by a London company, Light Industry, whose designer is Hugh Skyrme. "I sell things I have found interesting over a long period," says Graeme, "mostly modern-made or 20th century collectibles." After much prevarication, I chose a *splendid Light Industry table* lamp, price £178.25.

Back at home, I positioned my lamp in the sitting room, sat on my orange sofa and surveyed my green wallpaper (both from Designers Guild – nothing to do with this story). I rang for coffee. But coffee was not possible. We had run out again. Irritated by this setback, I reached *for a leaflet* I had been sent by the Savoy Hotel's coffee department, which roasts and blends coffee for hotels and restaurants in the group. It also sells to the public – straight, espresso or de-caffeinated; regular, fine, beans; in cartons or in tins. A 1 lb carton costs £5.85; 12 lbs, £51.95. I ordered 24 lbs, price £103.90.

Then I ordered some flowers. I am always getting into trouble for buying wrong or diseased flowers: wrong length/type/colour: always something wrong. So I turned to Edward Goodyear, a florist used by royalty, who will deliver flowers to your home at £25-£50-plus, with a minimum delivery charge of £4. Not wishing to be profligate, I reckoned that I *could afford £4,000 for a year's* supply of flowers, so off went the cheque. I told them: "I want brightly-hued flowers in very modern arrangements; nothing 'tasteful' or formal."

I was now nearing the end of my shopping spree, so I inked in a donation of *£1,500* for two greyhounds from Battersea Dog's Home. Britain is *not* a nation of animal lovers: there is too much slaughtering for that. Consequently, I would never buy pedigreed dogs from a breeder. Instead, I would try to relieve the crush of canine misery by offering space at my hearth to animals – two greyhounds, anyway – that would otherwise be destroyed.

To lift my spirits once more, I marked down £2,750 for a 10-night stay (double room – a suite would be much more expensive) in my favourite hotel, the Orient-Express-run Cipriani in Venice, plus £2,000 for fares, books and cream *teas*.

And I allocated £1,150 for a year's membership dues at Hanbury Manor Golf & Country Club at Thundridge, near Ware, Hertfordshire, which is shaping up spectacularly – golf, tennis, croquet, squash, *indoor swimming, steam baths*, gym, beauty salon, what have you. There is also a £10,000 membership debenture to see to, but I will handle that off balance sheet.

Which brought me to the racehorse. I had now spent £117,993.97 *on Christmas* presents for myself, and had £139,915.03 left. You can spend virtually what you like on a yearling racehorse. It may never run at the track. If it runs, may never win. If it wins, may never come close to covering its *costs. In English racing*, particularly, the odds are stacked against you. On the other hand, there is a small but tempting chance that it will prove a bargain – even win the Derby. In theory, you can buy a reasonable-looking yearling for as little as 10,000-20,000 guineas (1 guinea = £1.05) and watch it win the Epsom *Derby, boosting* its value to £8m or more.

Jocelyn de Moubray put things well in his book, *The Thoroughbred Business* (Hamish Hamilton, 1987), when he argued that the bloodstock market is founded on a central *uncertainty. He wrote:* "Nobody knows what a good racehorse is, or rather, what exactly it is which enables one racehorse to run faster than another. Every participant formulates his own ideas or theories . . ."

I do not have any theories. But I know those who do – among them, an up-and-coming Newmarket trainer, James Fanshawe, whose first season has been *studded with suc*cesses. His biggest win was with Chipaya, a two-year-old filly that scooped the £100,000 first prize in the Racecall Gold Trophy at Redcar 11 days ago. Chipaya is a brilliant example of the risk-reward ratio in racing, *for she cost her owner*, a London art dealer, only 13,500 gns as a yearling.

Although Fanshawe did not buy Chipaya as a yearling, he has a shrewd eye for a racehorse – so I decided to let him buy a yearling for me. First, I earmarked £25,000 *to* cover two seasons' training and racing costs. That left £114,915.03 – a decent sum, even on the Turf, though to keep things in perspective it is only a fraction of the top price paid at the recent Tattersalls' Highflyer yearling *sale at Newmarket, which was* 840,000 gns.

I could have split the money between three or four horses to help spread my risks. But that smacked of pusillanimity, and would have pumped up my training and racing bills horribly. *So I elected to plunge the* entire sum on just one yearling: a strong and well-bred colt with magnificent presence and personality, flashing eyes, four white socks and the look on his face that the legendary Mill Reef, winner of the Epsom Derby, wore when he was little, the look that says: "Boy, are we going places!"

HOW THE MONEY WENT

	£
1) A Bentley Eight, from Jack Barclay	79,811.82
2) Clothes (Selfridges, Browns, and Gieves & Hawkes)	8,500.00
3) Pair of Dutch antique globes, from Arthur Davidson	14,500.00
4) Painting by Chen Jiang Hong (Hancock Gallery)	3,500.00
5) Table lamp, from Quip	178.25
6) 24 lbs of coffee, Savoy Hotel coffee department	103.90
7) Year's supply of flowers, from Edward Goodyear	4,000.00
8) Two greyhounds, Battersea Dog's Home	1,500.00
9) Ten nights in the Hotel Cipriani, Venice, incl. flights,etc	4,750.00
10) Year's membership of Hanbury Manor Golf & Country Club	1,150.00
11) Yearling racehorse (incl. £25,000 for two seasons' training and racing costs)	139,915.03

Jack Barclay is in Berkeley Sq, London W1X 6AE, tel: 071-629-7444.
Arthur Davidson is at 78-79 Jermyn St, London SW1Y 6NB, tel: 071-930-6687.
The Hancock Gallery is at 184 Westbourne Grove, London W1, tel: 071-229-7827.
Quip is across the road: 243 Westbourne Grove, tel. 071-727-5377.
Details of Savoy coffee from Unit 1, The Willows Centre, 17 Willow Lane, Micham, Surrey CR4 4NX, tel: 081-648-7701.
Edward Goodyear is in Brook St, London W1, tel: 071-629-1508.
Battersea Dog's Home, 4, Battersea Park Rd, London SW8, tel: 071-622-3626.
Orient-Express Hotels, London, tel: 071-834-8122.
Hanbury Manor: contact membership secretary, Hanbury Manor, Thundridge, Herts SG12 OSD, tel: 0920-487722.
James Fanshawe, Newmarket trainer, tel: 0638-660153.

TRAVEL

Coming up for air: a tourist's tale

Richard Donkin, in the Netherlands Antilles, on how to breathe 30 feet below the sea

THE BUTCHERED notes of a Steinway in the hands of Richard Clayderman stumbled across the hotel restaurant. Something akin to romance was in the air as the man at Table 15 made a play for the woman on Table Three. The waiter acted as go-between. The woman sat tight. Table 15 smiled foolishly, then looked at his lap and began to flick breadcrumbs from his napkin.

On another table a woman in a salmon-pink sleeveless top with matching, slightly undercooked but already flaking arms, played with her pink, perfectly cooked lobster. She was a big woman with firm ankles; Dutch, like the other Europeans, she probably answered to Hildegard.

The waiter brought a second planter's punch to Table Three, who was dark skinned, dark haired, attractive. Table 15, who looked like Ernest Borgenine, stared fixedly at the macaw cage. The macaws were asleep. They had heard Richard Clayderman before. It was just another Caribbean night.

A shooting star illuminated the sky. Out on the beach a worried fiddler crab, its eyes on stalks, stared, apparently aghast, when I put my foot over its hole. When I lifted my foot it took off on what seemed like a drug-assisted dash for safety. A lot of things are drug-assisted in the Caribbean. Here on Curaçao they have their share of problems.

Bert Knubben, the diver who risks nitrogen poisoning almost every day to reach 150 feet down the side of the reef, where he harvests black coral and makes it into jewellery, was sitting in his small wooden hut, fashioning a tiny twiglike piece into one of a pair of ear-rings. The hut overlooks the beach within the complex of rooms which form the Princess Beach Hotel, just a few miles along the coast from Willemstad, Curaçao's port. The beach of white sand was transported here from another part of the island.

"They found a Colombian woman dead in the hotel a year or two back," said Knubben. "She had been dead two days when they found her in her room. A condom full of cocaine had burst open inside her stomach. She was a messenger. The Colombians call them *gallianos*, Spanish for chicken – they lay an egg of white gold. We're just two hours from Colombia by fast patrol boat. You're bound to get drugs here."

Knubben likes the place. The Calvanistic Dutch society in this, the largest island of the five that comprise the Netherlands Antilles, does its best to keep the cocaine at bay. So the smugglers go to St Maarten, the half French, half Dutch island 500 miles to the north which is duty free and customs free. St Maarten, or St Martin if you are on the French side, has a reputation of being a gateway to Europe for cocaine.

It also has a reputation for nude sunbathing and draws America's rich and famous. Diana Ross, Robert Redford, Henry Kissinger, Richard Nixon . . . they all come to St Maarten. Only Venezuelans used to go to Curaçao in any number, but that is beginning to change. It has been discovered by the Dutch, who are arriving in greater numbers.

They do not go for the palm trees. There *are* palm trees about, but most of the vegetation is scrubland peppered with divi divi and machineel trees. The guide books, which appear to take great delight in stoking the neuroses of American tourists, warn about the sap of the machineels.

Willemstad, with its pastel Dutch facades, must present one of the most welcoming sights in the Caribbean for the cruise ships. The tourists come for the shopping, but they also come for the diving. Curaçao's greatest wonders are under the waves. Its sister island, Bonaire, is the favourite of diving aficionados who seem able to rate coral and fish like gourmets rate restaurants. But Curaçao, all the same, rates pretty highly.

I am a diving Philistine. To me, one piece of coral looks very much like another. The fish look very like those I have seen in aquariums in bad-taste living rooms. Still, since diving is the thing to do in Curaçao, I went to see Rudi at Princess Water Sports and Diving.

For $65, Rudi taught me what to do with an aqualung. Basically, he said, all you need to remember is to breathe. Then, he said, you have to know what to do when you cannot breathe. Rudi was a great help. I never let him out of my sight.

This was not one of those places where you need to be certified in every sense of the word and sit around, tanks on backs, in swimming pools with other Americans, all rigid with fear. Rudi lied about diving being safe, about never having seen a shark, sharks not being vicious anyway, and about barracudas being scared.

We entered the water to run through the drills. "We don't go more than 30 ft deep on this first dive," said Rudi. From then on it was all hand signals. He made the hand signal for "Look, there's a lobster," and pointed to a lobster which had seen too many of its fellow lobsters snatched away. It retreated into the piece of builder's pipe it had made into a home.

Curaçao: a place to sit or swim

At the point where the breakwater parted for us to descend on to the reef lurked a shoal of barracudas flashing their razored jaws. They did not look scared. Later I learnt that they sometimes go for shiny medallions around divers' necks. I checked the depth gauge. It read 30 ft.

I began to concentrate on my breathing. I never realised one breath took so long. I also concentrated on the depth gauge, which now said 40 ft. Rudi was going deeper. I followed at a fin's distance.

The reef side is a jungle of different corals – staghorn, yellow pencil, brain and sponges. The purple tube sponge looks like an exhaust pipe from a dragster. All the fish are little coloured things. There were no guppies. The depth gauge now read 50 ft.

The wonders of the reef became subordinate to constant checks on the depth gauge, the air gauge, clearing the mask, feeling for the spare mouthpiece and keeping Rudi's flipper in vision. We had reached 60 ft before Rudi turned around and began flippering back with the current.

Later, as he adjusted my gauge so that the proprietor would not notice, he explained: "You did the drills so well I thought we'd be OK to go a little deeper." The $65 included a boat dive the next day. It was more of the same, though this time deeper still. But divers are tough.

A monastery in the Outback

Julia Berney retreats to a very Australian small town

"IT STICKS out like a dub (lavatory) in the desert," was one Australian's description of New Norcia.

EVEN WITH a warning like that, the incongruity of the scene is startling. Two hours' drive from Perth, slap-bang in the middle of a rolling pastoral landscape, stands a township of ornate classical Italian and Byzantine buildings, their gaudy coral-red walls shouting against the sun-bleached plains.

New Norcia is no grand folly. It embodies a dream realised, the transition from bush mission to educational centre achieved by a band of exiled Spanish monks.

The New Norcia mission, established in 1846, was the brainchild of Dom Salvado, who had fled Spain after the First Republic dissolved all religious communities there. For years, he and a handful of monks persevered on the misleadingly-named Victoria Plains in spite of drought, bushfires, and the greed of their Benedictine brothers in Perth, who milked the mission almost dry. The New Norcia monks established a good rapport with the aborigines from whom they learned to eat roast snake, lizard and grubs.

After Salvado's death in 1900, Abbot Torres initiated an extensive building programme, resulting in two magnificent red-and-white residential colleges – St Gertrude's for girls from the wheatbelt and mining areas, and the boys' school, St Benedict's, like a Byzantine castle.

I went to New Norcia first as a tourist, on a February day when the primary colours of walls and sky were almost eye-hurting in the harsh sun. A year later, as a recently-arrived emigrant, I revisited the small town on a dark sweltering morning. The elaborate gables looked lurid against the stormheads, and thunder rattled around the hills.

The temperature was in the mid-40's Centigrade when I stopped *en route* at a roadhouse for a chocolate Cherry Ripe and an agitated Coke. But on parking behind New Norcia Museum I found – right out in the open – a heaven-sent, rickety but working wash basin fixed against a shed, complete with dusty Palmolive soap and bauxite gravel clogging the plughole.

The museum is located in the former aboriginal children's institution – painted the darkest red of all, like ox-blood – and houses a curious mixture of things used or collected by the monks, from pocket sun dials to aboriginal artefacts like fire-sticks and a didgeridoo, from 18th century dental instruments to an ammonite from Nursia in Italy, St Benedict's birthplace.

The mock-up of a turn-of-the-century monastic cell contains items such as a thunderbox loo, a pair of wellingtons, a typewriter and a brass bugle, none of which immediately would have struck me as being peculiarly monkish possessions.

I emerged from the coolness through double steel and mesh doors and walked on the shady side of the street, which almost always seems extraordinarily empty. You meet virtually nobody on the street of New Norcia save sightseers, and they are very few. Cicadas and parrots, the throbbing hiss of sprinklers in the school grounds, a baggy-throated Australian raven crying like a tired baby, the occasional truck rumbling along Great Northern Highway . . . these are the only sounds except for the foreign gong of the church bell – so un-Australian – rung by unseen hands.

The graveyard was full of purple statice and mulla-mulla puncturing a floor of dry, pungent gum leaves sprinkled with cockatoo feathers. Low white wooden crosses mark the burials of monks and aborigines who worked at the mission. Among the other graves is a stone erected recently by his parents to Jamie Michael Spinks, aged six: "Thumbs up Mate," reads the inscription, "There's no 'Change Time' in Heaven." High on a column, Salvado's statue guards the graveyard, looking down to the church and monastery.

Here you enter the Mediterranean – olives and oleander, a fat palm beside a red-roofed church with a pointed cupola. Through wrought-iron gates the white monastery looks tranquil and undisturbed. It, too, a friend in Perth told me, was once attacked by vandals who chipped the marble and carved into the jarrah wood fittings. So the monastery doors are closed to the public now. Even the foundations are less secure than the solid, peaceful scene suggests: all the main buildings were damaged by a 1968 earthquake, the epicentre of which was kilometres away.

Old photographs show monks at their tasks. I found myself smiling at captions like "A monk waits for his newly made spaghetti to dry" because the words seemed first amusing and then touchingly innocent. Below lay a gold medal won by the mission for its macaroni at the 1908 Franco-British exhibition in Shepherd's Bush, London.

Upstairs, half the art gallery contains modern works, many done by the monks; the other half holds older, European art treasures. Two are represented by photographs only, and between them stands an empty gilded frame, its backing cloth slashed. Reading a report of the incident, I felt almost outraged for, naively perhaps, who could have imagined that this haven so far from anywhere would be the object of major crime?

In 1986, two men waited behind until the museum was closing, then bound and gagged the elderly woman attendant. Using Stanley knives, they hacked the paintings from their frames, returning to a Perth motel with half the European art collected by the Benedictine community over their 140-year history at New Norcia.

Perth police caught one thief, a used car salesman, at his Sydney home with 11 canvasses. Eleven more were recovered from his associate's house; the rest were discovered at Sydney airport, loaded on a plane bound for Manila. Because one painting – *The Annunciation* by an unknown artist – proved difficult to roll up, they had kicked it to bits. They received a minimum sentence of three years. The monks, meanwhile, were thrust unwillingly into defensive mode and installed a sophisticated security system to protect their small gallery.

A British emigrant I met – a West Australian resident of 25 years – admitted that he could endure, and often positively enjoy, parts of the Outback, yet found on arriving in New Norcia that he could not get out again quickly enough. He thought the silence oppressive, the emptiness eerie and the self-contained atmosphere almost menacing. Maybe it is one of those places you either love or hate; it is impossible to be indifferent about it.

■ *Information: New Norcia is 132 km north of Perth on Great Northern Highway. Perth Yellow Pages lists many car hire companies, but choose one that has a standard daily or weekly rental rate regardless of distance if you plan any long trips or bush driving, because some firms also charge according to the number of kilometres you clock up. Coach tours to New Norcia are available. For most people, New Norcia is probably more suitable for a day or short stay rather than as a holiday centre. Accommodation is available at the New Norcia Hotel (tel: 096-54-8034), formerly a hostel for parents visiting school boarders. Designed by Father Gimenez in 1927, it is an impressive building with portico, balconies and arched colonnade.*

On the other hand, the Benedictine community makes available a guesthouse for those who wish to retreat for a few days and experience the monastic life: inquiries to The Guestmaster, The Monastery, New Norcia, WA 6509.

Travel Business

The writing on the wall

David Churchill on the worries expressed by travel agents

"THE attractions of this gay and interesting resort, with its long sun-blessed season, from March to November, are becoming more apparent to discerning people each year. The local authorities have been very far sighted and have not allowed the building of the new resort to get out of hand."

That description of a Mediterranean holiday resort came from a 1968 travel trade brochure, describing Benidorm – the Spanish resort that has subsequently achieved one of the worst reputations for tourism blight, including lager louts, dirty beaches and uncontrolled hotel expansion.

To be fair to Benidorm, it has worked hard to overcome these problems with increased investment and curbs on some development excesses.

Tourism blight, however, is one of several big issues now facing the travel industry. The impact on the environment of transporting every year the equivalent of the combined populations of the US and Soviet Union is going to be one of the factors shaping the future of tourism in the decade ahead, whether the industry likes it or not.

This week the UK's travel trade was meeting in Budapest for the 40th annual conference of the Association of British Travel Agents (ABTA). What the travel trade is starting to understand is that its customers will no longer put up with shoddy service, or with the tour companies' belief that they know best what holidaymakers want.

Many in the travel trade thought that package holiday bookings would go on increasing – but they have fallen for the past two summers and look like doing so again next year.

At the same time, the public's thirst for travel shows no sign of diminishing, even if it is tempered by the economic climate. The holidaymaker of the 1990s wants more freedom and flexibility. Sales of seat-only charter flights, for example, are growing, while package tours are in sharp decline because so many have rediscovered the pleasure of making their own travel arrangements, even if only to time-share accommodation.

Other trends reflect this desire for flexibility: the demand for short-haul city breaks is growing because many travellers want to take more frequent holidays to accessible places. But others want new destinations and are prepared to fly long distances to reach them: Australia, Africa and Thailand, for example, are among destinations that UK companies are increasingly offering.

Yet this sort of travel is never likely to form the bulk of the travel business. Package deals seem set to remain the way most people take an overseas holiday.

What worried the delegates in Budapest this week was whether the industry was actually in a position to continue to guarantee consumers their holidays. The collapse of Exchange Travel last month shocked the travel world: it was the biggest ever collapse of a travel agent, with debts totalling more than £30m.

ABTA is the body which bales out holidaymakers who book with travel companies that fail, mainly by insisting that its members have a bond to cover any financial collapse. Yet the Exchange Travel demise revealed that not all ABTA members have such bonds, and it is costing ABTA £200,000 extra to maintain the guarantee to Exchange's customers.

After 1992, however, a new EC directive on transport means that *all* holiday companies will have to offer financial guarantees to their customers. Some in the trade believe this spells the end of ABTA in its present form. They argue that ABTA had become too smug and set in its ways and needs to redefine its role.

In the short term, though, the message in Budapest was clear: the Gulf crisis is making many people jittery. Rising oil prices are putting pressure on operators to raise brochure prices and even to bring back surcharges.

The Gulf crisis is also inhibiting consumers from booking in advance – forcing travel agents to keep offering price discounts to attract custom and maintain cash flow. If Gulf matters are resolved quickly then tour operators could launch a price war to recover some of the lost bookings. But if matters drag on, higher prices leading to fewer bookings could see some large names in the travel business go under.

BOOKS

Dance to the music of life

This autobiography reads like an epic novel, says **Roger Lewis**

IN CONCENTRATING upon himself for his memoirs, Anthony Burgess has at last found a subject rich enough to require his own spectacular talents; as an autobiographer he is something like a great novelist. His violent and musical prose-style, his ingenuity with foreign languages, his well-stocked aviary of knowledge, his abrupt and masculine sympathies – the man is as teeming and contrary as the North American continent, and in the first volume of his autobiography, *Little Wilson and Big God*, the epic elements fell into place.

This ended literally with illness. Burgess believed he had a brain tumour and a year to live, so he sat at the typewriter and banged straight out five or six works that would earn an income for his prospective widow. The death-defying prolificity has continued to this day, of course. (During my time at Magdalen, desultorily researching a doctoral thesis on "Anthony Burgess and Incest," he published twelve books and thousands of review articles: we have to go back to the Edwardians to find a similar lust for life and industry.) Having left England for a European existence a quarter of a century since, his writing has a cosmopolitan exhilaration lost on our local parish pump scribes. We don't yet know how big he is, nor the extent of his surprises.

In a sense, this is the subject of *You've Had your Time*. Burgess thinks he should be old and full of sleep (he is 72), but his fertile mind won't stop generating ideas, dreams, plots, characters which when he awakes are there fully formed.

How does he keep it up? Certainly he has had little tranquillity to compose his daily two thousand words; no book-lined study with Mozart tinkling on the gramophone to aid his brooding. *You've Had Your Time* is a record of personal chaos out of which Burgess's art is miraculously transmuted.

Home from Brunei to die in a cold and mannerless England, drinking gin "as if still sweltering under a ceiling fan", it is his first wife, Lynne, who becomes increasingly alcoholic, unfaithful and mad. She screams, smashes plates and attempts suicide; she goes in and out of hospital and drinking dens. All this Burgess calmly transfers to fiction. *The Doctor is Sick* is about a lecturer with a suspected brain tumour and a scatty wife; *Honey for the Bears* is about the Burgess's traumatic would-be recuperative holiday in Leningrad. Lynne's death and Burgess's remorse, his nightmare that some of the dead refuse to die, inspire Beard's Roman Women. "My books", he says, "were myself."

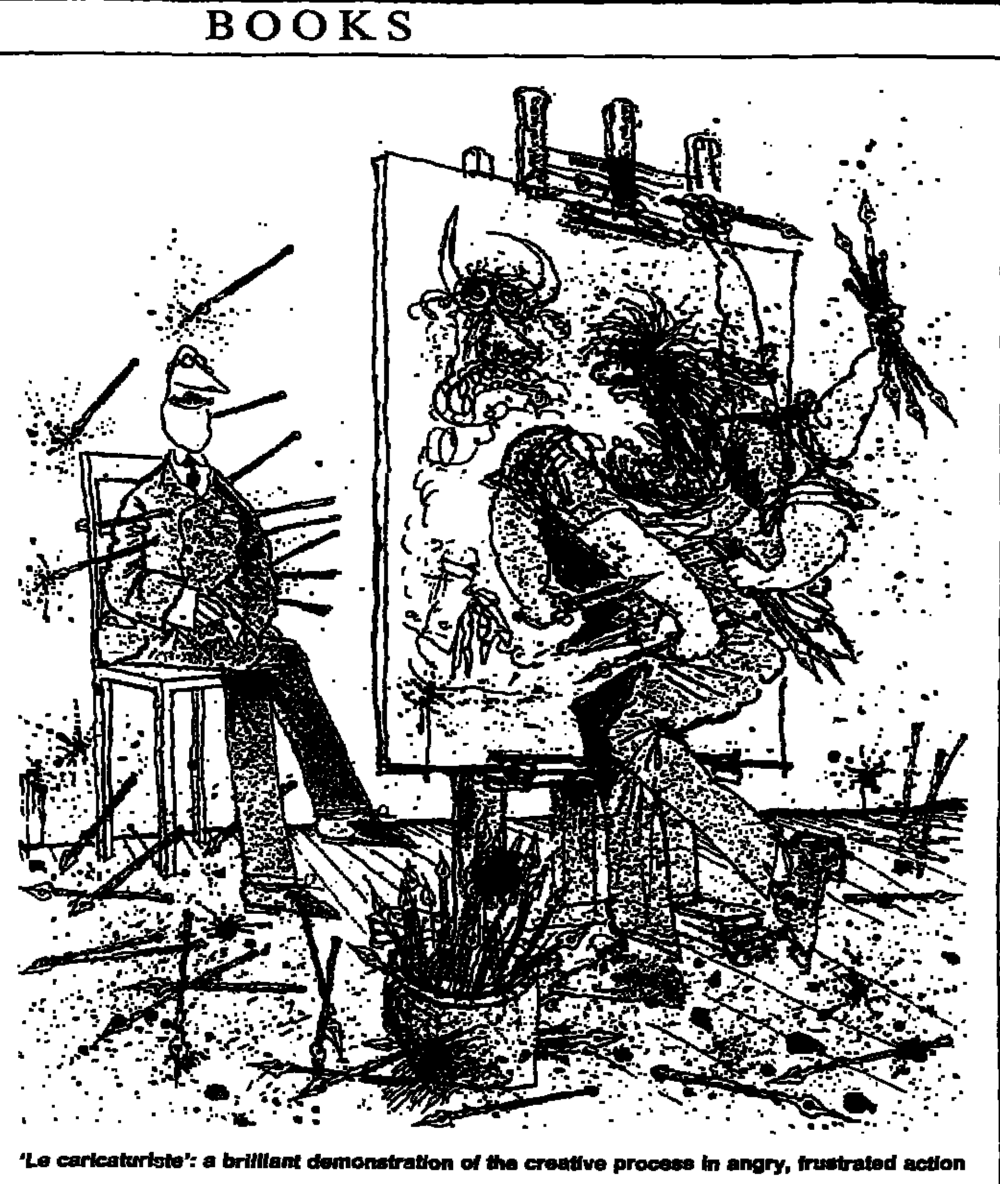
The pages here eulogising Lynne Isherwood Jones, and his evocation of that relationship, are the best Burgess has ever written. He is always clever and dazzling; remembering a lost wife, he is heartbreakingly moving and never for a second sentimental. Lynne's successor was a petite Italian dynamo called Liana Macellari. After that brave and candid portrait of a first marriage, Liana is less present – except as an organising force, protecting Burgess from bank statements and crooked agents. We do get a sense, however, of a peculiar frenzy that the author seems to need. Tragically disorganised with Lynne, Burgess's life became now a disarrayed comic picaresque. Having only met Liana once, when they made love in an empty Chiswick house, she offhandedly tells him a few years

YOU'VE HAD YOUR TIME
by Anthony Burgess
Heinemann £17.50, 403 pages

later that he fathered her son, who is being looked after by a group of Iranians in Cambridge. Burgess immediately accepts Paolo Andrea, a wild child who absorbs languages automatically (Arabic, Italian dialects etc), as his own and the three of them leave London for Malta – and a story of stolen passports, domestic calamities, Mediterranean noise and colour.

You've Had Your Time, therefore, charts the years of accomplishment after *Little Wilson and Big God*'s years of promise. What gives it a novelistic amplitude is *Burgess's continuing* presentation of himself as a bruised and discontented hero: he is his Cyrano de Bergerac, packed with panache and wielding a swordstick. But despite all the praise and honours, he will only recall his bad reviews, quoted at length in this book. Burgess insists on an isolation and a rejection which are simply not true. Yes, he received nasty notices from Geoffrey Grigson, Brigid Brophy and Charles Osborne; yet he makes no mention whatsoever of powerful advocates such as Richard Ellman, D.J. Enright, Paul Theroux and Martin Amis (whose prose reeks of Burgessisms).

Is this dishonesty? In some measure. Burgess knows full well that he is esteemed. But as an artist he must pretend he is excluded (Joyce was the same). Calm and content, he would not seethe, and then he would not need to write. Nor might he live long. As he feared all those years ago, home from the East with a twelve-month to run, only by keeping to his desk can he cheat death. Long may he continue to do so.



'Le caricaturiste': a brilliant demonstration of the creative process in angry, frustrated action

An eloquent pen

Anthony Curtis *on the man with the spindly style*

THEY HAVE done Ronald Searle – now in his 70th year – proud. The book has thick, glazed pages with rules top and bottom, and a huge margin of white space at the right of the text, where sit the extended captions to the plentiful illustrations. The designer is Craig Dodd. He has devised a volume which it is a pleasure to behold as much as to read.

It may be read in either of two ways, but not both simultaneously. Way one is to look simply at the illustrations which grace almost every page and to study the informative captions. That way you have a complete Ronald Searle retrospective exhibition. This runs from his earliest extant drawing,"Baa Baa Black Sheep" made at the age of five – the sheep are astonishingly well-observed – to recent ones for his controversial *Non-sexist Dictionary* of 1988, and a *New Yorker* gag of 1990, showing the sword Excalibur appearing from a washbasin. Way two is simply to read Russell Davies's admirable text. This is the work of a Searle fan who has had full cooperation from his subject and is therefore able to reflect Searle's attitude to his own work at each point in his development.

If you want to turn Searle off you, the best method, we gather, is to start talking about St Trinian's. He cannot stand any more chat about this lucrative fantasy which all began when he was in the Royal Engineers in 1941. They were posted to Kirkcudbright when – almost 21 – he met a couple of girls who were pupils at the progressive Scottish academy of St. Trinnean's. It had moved there for the duration from Edinburgh. To the girls' delight, Searle started to produce black-and white sketches of gym-slipped juvenile delinquents while the school's name became anglicised as St. Trinian's. The real school closed down in 1946, but the fantasy one caught the mood of post-war Britain where it turned into a vast cult, Searle's subsequent Trinian's volumes spawning several films.

But what kind of a man and what kind of an artist is Searle? He is very tough indeed as his war experience proved. Searle was a prisoner of the Japanese forced to work on the Siam-Burma railway in concentration camp conditions and, after it was finished, to suffer incarceration in the notorious Changi Gaol, Singapore. Somehow, at the end of a 16-hour day of slave-labour on a starvation diet, while many of his comrades were dying of exhaustion and tropical diseases, he managed to draw. He filled several sketchbooks of the most moving testimony to what he and others suffered. It took 40 years before this material, now in the Imperial War Museum, was exhibited in Britain, but no one who visited the exhibition is likely to forget it.

Searle is also very ruthless as is shown by his decision, not glossed over in the book, to decamp to Paris in 1961, abandoning a wife and two children in England. He has never lived in England again. His friendships recorded by Davies include dozens of colleagues both here and in France, Germany and America; also many writers, Samuel Beckett among them. Such international celebrity and acclaim must have seemed an unlikely fate in 1920 when he was born for the left-handed only son of a Cambridgeshire post office employee.

But from the time of that drawing of sheep, his talent was never in doubt. Searle left school in 1934 when he was 14. He managed to combine a bread-ticket job as a solictor's clerk with regular contributions as a comic draughtsman to the *Cambridge Daily News*. Pre-war Cambridge was a place full of artistic opportunity which Searle soon seized. He won a scholarship to the school of art and began to move in university circles. By the time the idyll ended in 1939 with his call-up papers, he had learnt the all basics of his trade. He was sending drawings to *Lilliput* while he was in the army. They were accepted for publication by a Miss Kaye Webb whom he was to marry soon after he was demobilised.

They lived for a while in that remarkable artists' commune at 77 Bedford Gardens, near Kensington Church Street. It cropped up before, only a few weeks ago, in the biography of Keith Vaughan who also lived there at this period. Searle's individual spindly style was formed then and found a receptive market across a wide spectrum of journals from *The Daily Telegraph* and *The News Chronicle* to *Tribune* and *Radio Times*. He was eventually made a member of the *Punch* Table when he had a contract with the magazine. He is

RONALD SEARLE: A BIOGRAPHY
by Russell Davies
Sinclair-Stevenson £18.00, 192 pages

shown in a photograph, reproduced in this book, sitting at the Table in the company of Thurber, an honoured guest, with among other member of the *Punch* staff in 1958, my colleague, B A Young.

The book contains several self-portraits of Searle, from the dapper, bearded, alert young artist at his drawing-board in 1949 to one of a lean, bony, bespectacled old man, arms and head pointing skywards, an arrow piercing the chest – a relief Searle made for a medallion struck at the behest of the Bibliothéque Nationale to mark his 70th birthday.

Even more revealing, though, is the frontispiece to the book, a drawing done in 1974 entitled "Le Caricaturiste". Here the arrows in the form of fine-nibbed pens are all aimed at the sitter who in his neat city-suit remains impervious to them. Meanwhile back at the easel, in a hail-storm of blots and rejected pens, the artist writhes and curses. The image begining to take shape on the canvas is that of the implacable face of the sitter being transformed into that of a bull. The combination of ink, line and wash, both in the drawing and in the execution, is pure Searle, and it all serves to give a brilliant demonstration of the creative process in angry, frustrated action. Searle's younger contemporaries, Scarfe and Steadman, have both used the pen in similar fashion as a weapon of savage indignation.

It is drawings like this that suggest Searle belongs to that highly select company of caricaturists – it includes Grandville, Daumier and Saul Steinberg – whose work belongs to the history of art. Recognition of this fact abroad, where Searle exhibitions have been held in New York, Paris and many other centres, has already begun. This book should greatly please his admirers.

The other Nell

EMMA BOVARY, Anna Karenin, Tess of the d'Urbervilles – 19th century novels had no shortage of fallen women. Charles Dickens contributed several himself, but his are pathetic rather than passionate, victims not threats. They never take centre stage or come close to tragic grandeur.

And so it was in life. In *The Invisible Woman*, Claire Tomalin seeks to pin down the most elusive episode in Dickens' life and answer the question which has beguiled scholars for a century: was Dickens' association with Nelly Ternan, the actress he met as a spirited girl and left an exhausted woman, that of lover and mistress, family friends or author and "proof-reader"? As Tomalin points out, fashions in sin change, and it is easy for our apparently more worldly age to leap to the sexy conclusion. The 19th century, though, was awash with unorthodox but tantalisingly platonic relationships, and that of unattainable actress and writer worshiping from afar – Hans Christian Andersen and Jenny Lind, Lewis Carroll and Ellen Terry – was almost common.

The difference is that Dickens worshipped from close quarters and that Nelly was never famous. Instead, she was the perfect Dickens heroine: young, fatherless, struggling to make ends meet, clinging to respectability by her fingernails. Dickens became obsessed with her when she was 18 and he 45; he wooed her off the stage, installed her in suburban cosiness in Slough and Peckham, and visited her under the guise of "Mr. Tringham" two or three times a week over 13 years. When things got tough, she was briefly banished to France: the celebrated author was spotted on the Boulogne boat with an unknown woman, then came near to exposure when he and Nelly were involved in the Staplehurst rail crash.

Why do these details matter? First of all, they make a great story. Secondly, Tomalin's book is social history of a high order: a look at how developments in Victorian England from the railway to sexual hypocrisy affected a handful of people. And finally, the account of Dickens' failure to understand the women in his life throws fascinating light on one of the weakest points of his novels, his inability to create convincing female characters.

Dickens does not come off well. "If you could make the public understand that my father was not a joyous, jocose gentleman walking about the town with a plum pudding and a bowl of punch, you would greatly oblige me", his daughter Katey wrote to Bernard Shaw 30 years after his death. Here is the perfect father and year-round Father Christmas to the nation sustaining his public image at the cost of the humiliation of his wife and the invisibility of Nelly. Here too is the philanthropist with the over-zealous concern for prostitutes – a trait shared with Gladstone – stalking Padding-

THE INVISIBLE WOMAN: THE STORY OF NELLIE TERNAN AND CHARLES DICKENS
by Claire Tomalin
Viking £16.99, 317 pages

ton station for late-night trains to Slough, convincing himself that chastity was unhealthy (for men).

Tortured by a desire to keep up appearances at a time when other writers were letting rip – Wilkie Collins, George Eliot – Dickens appears as an outsider by background, desperate to belong. He and Nelly had the makings of a good couple, says Tomalin, "since if he was never quite a gentleman, she was never quite a lady, though both had the true Victorian passion for claiming that they were".

Two cases of double identities would be enough, but the last part of this tale is the most breathtaking. When Dickens died in 1870, Nelly was worn down, but she didn't crumble: she changed into someone else, like a new character in a novel. Knocking 12 years off her age, she married a 24-year-old schoolmaster, the Reverend Wharton Robinson, when she was 36. Her husband never found out that she had been an actress or an intimate of Dickens; she had two children and was known around his Margate school as a charming, naive young wife with a gift for organising amateur dramatics.

Jackie Wullschlager

Living with tyranny

THERE IS particular piquancy in these letters by Helmuth von Moltke being published at this time, for the question is being much discussed of how far there can be successful internal resistance to a tyrant. Of course, there are few direct comparisons between Adolf Hitler and Saddam Hussein, and German society during the second world war was totally different from that of Iraq today. Nevertheless, the German experience did show that there was resistance from within and that a number of people in quite high positions were planning for a post-war period.

Helmuth James von Moltke was a great nephew of Bismarck's famous general. He was a lawyer who had studied in London and who remained an Anglophile to the end. When the war came, he joined the foreign division of the *Abwehr*, the German intelligence, as legal adviser to the high command of the armed services. It was from there, working mainly in Berlin, that he set about seeking to reduce some of the grossest excesses of the Hitler machine and preparing for a peaceful Europe.

It is possible to say that he failed, or that he should have emigrated, gone into outright opposition outside the country, or worked full-tilt on the assassination of the Führer. Before coming to that conclusion, however, it is worth trying to put yourself in his position. Without internal opposition, some of the excesses might have been even worse and Germany's post-war reputation would have been even lower. Perhaps Moltke made the more difficult choice.

Nearly all the letters in this book are to his wife, Freya, who lived on the Moltke family estate at Kreisau in Silesia, but was never far away. Yet the letter that sums most of it up is not to Freya, but to Lionel Curtis, an old friend, Fellow of All Souls and co-founder of the (now) Royal Institute of International Affairs. That is where Moltke modestly sets out some of the achievements and the aims. Some Jews were saved, some prisoners condemned to death were allowed to escape, and some of the most ruthless orders were not carried out. Moltke had his helpers in Scandinavia; and he wanted more assistance from Britain.

In the end he was found out, arrested in January 1944 and executed after a trial of a kind a year later. Much of this has

LETTERS TO FREYA: A WITNESS AGAINST HITLER
by Helmuth James von Moltke
Collins Harvill £16, 441 pages

been written about before, notably in *German Resistance to Hitler* by Ger van Roon. The principal interest of the letters is twofold: one is the view of life in Berlin during the war, the other is the insight of a very brave man. In 1941 he wrote a document envisaging a peace settlement after a German defeat. There would be a "unitary European sovereignty from Portugal to a point as far east as possible". In other words, ultimately he was not far wrong. But at the time he dreamed that he would have to choose between being shot as a traitor in Germany or as a spy in England.

Malcolm Rutherford

Stories within stories...

"ART PRESENTS an enigma, but the resolution of the enigma is another enigma."

If you like that statement from the title story of Carlos Fuentes' latest collection, you will like his book; if it seems merely paradoxical perversity, you are advised to steer clear. Fuentes has let his imagination run riot here; within a certain surreal and fantastic logic, anything is possible. The enigma of the title story, Constancia, has not just one identity, but three, all imaginatively possible, their literal impossibility undermined by the physical demonstration of their reality. Constancia is the elderly Spanish wife of the narrator, a doctor in Savannah, Georgia; she is also a Russian exile who was killed in the Spanish Civil War; and she is beautiful young virgin haunting the cafes of Seville waiting to meet a young doctor from Savannah...

Fuentes takes enormous risks – artistic and imaginative – in all five of these baroque edifices. I preferred the least ornate of them, "The Prisoner of Las Lomas", set in a residential area of Mexico City, in which psychological pressure, double-crossings and good, old fashioned blackmail leave the narrator in a chilling and insoluble predicament. If Luis Bunuel were alive, "Prisoner" is the story he would choose to film.

Art and enigmas, resolved and unresolved, are at the core of the ten superb stories in Alice Munro's sixth collection, *Friend of My Youth*, but she is not the sort of writer to tell you so. The title story is a masterly one, that simultaneously tells several tales at once, commenting quietly on each of them without appearing in the least overloaded.

In the foreground is Flora, an unmarried woman belonging to a strict religious sect, living with her sister on a remote Canadian farm. Flora's story is told to the narrator by her mother who boarded with Flora while she taught school before marrying. The mother is now dying from a muscle-wasting disease, but the daughter has no patience with her mother's newly acquired mysticism.

Munro is consistently exciting, the apparent simplicity masking high artistry and

CONSTANCIA AND OTHER STORIES FOR VIRGINS
by Carlos Fuentes
Andre Deutsch £13.99, 340 pages

FRIEND OF MY YOUTH
by Alice Munro
Chatto & Windus £13.99, 273 pages

IN A FATHER'S PLACE
by Christopher Tilghman
Sinclair-Stevenson £13.95, 214 pages

great intensity of feeling. While each of the ten stories deals with an ostensibly simple event – a widow's visit to her Air Force husband's Scottish wartime haunts, a woman escaping from a difficult marriage into an equally difficult affair – Munro's wry observations and crystalline honesty open out a myriad of unexpected facets.

The jacket of *In a Father's Place*, a bleak Andrew Wyeth landscape, empty but for a pair of well-used boots and a corner of a clapboard barn, indicates that Christopher Tilghman is yet another story writer dealing with rural America. It also suggests the quiet, sparse way in which Tilghman, in his first collection, makes this extremely well-trodden terrain his own.

He writes mainly about families – the way that they cope with marriage breakdowns, widowhood and remarriage. He covers the whole social spectrum, from the dirt-poor Grant in "Hole in the Day", 29-years-old with four children, his runaway wife pregnant with the fifth, to the middle-class Hal in "Loose Reins", appalled that his mother has married a drunken ranch hand, to a paterfamilias of the Maryland gentry seeing off his son's unsuitable girl friend in the title story.

Tilghman is an expert in the use of apparently inconsequential detail. The ranch hand, Roy, puzzling over the uses of a Waterford crystal bowl, a wedding present from his supercilious new stepson, Hal, instinctively gives an elegant bow of thanks, confounding all expectations. The runaway wife Lonnie, remembering the baby spoon in the kitchen at home, its plastic handle decorated with a line of beakless ducks, that she has used to feed four babies, suddenly knows where she wants to be. It takes a very strong writer to stray into such regions without collapsing into sentimentality, but Tilghman manages magnificently in this outstanding debut.

Alannah Hopkin

Athletics, war, music and sex

***Robin Lane Fox** describes the social scene as illustrated by Euphronios, c.520BC*

TWO THOUSAND five hundred years ago, a style of drawing was born to which we are grateful heirs. Bodies began to look like bodies; humans were caught in action and movement; muscles, fingers and ears began to be shown in their individuality. Like most of the best things in life, it appeared in ancient Greece among a small group of painters whom scholars have identified and named the Pioneers. They applied their new art to new forms and styles of pottery, but we have a sense of art advancing on all fronts together: a similar style can be seen in human figures on some of the surviving sculpted reliefs on stone at the same period.

During the Pioneers's lifetime, tyrants began to fall; democracy was invented; political freedom took on a new meaning. Between c.520-500BC, people lived through changes as momentous as any in 1989. I like, but cannot prove, the old liberal view that the changes in art and political freedom were part of the same wider story. No ancient author or historian says anything about the Pioneering group: if we had not found some of theri pots in burials we would know absolutely nothing about them. Fortunately, some of their master-painters signed their own pottery. Several names competed but one of the biggest was Euphronios, to whom the Louvre (with sponsorship from Fiat) is devoting a major exhibition until December 31.

The Louvre is a fitting place for the enterprise. The best-known of Euphronios' pots is one of its greatest Greek treasures. About 30 significant pieces have joined it from other museums, some by Euphronios, others by his followers and heirs. There are helpful maps and captions on techniques. The show is not aimed only at classicists or connoisseurs.

Artistically, its interest is fairly straightforward. Euphronios' pottery used the new style of red-painted figures against black backgrounds which had recently replaced the older black-figure style. It obliged a master-artist to draw the outline of each shape and body with a defining black line: then, he could mark-in the muscles, expressions and small details. This outlining required him to draw like an angel: Euphronios rose to the challenge in individual limbs and faces, best seen in this show wherever he draws athletes or musicians. If you have broad lobes on your ears or long slender fingers which turn-up at the tips, you do not have a monopoly of human beauty but you are a classic Euphronian type. "Never less than perfect", is the comment of Sir John Boardman, our great living expert on Greek pottery. With hindsight, we can see that perfection was still to come. Euphronios was not so skilled at arranging his figures or distributing space as the great Athenian painters who followed a century later. He had not mastered three-quarter views of figures, but his individual portraits are enough for one man's art.

Technically, his career coincided with important changes in the style of a Greek pot. To judge from his signatures, Euphronios took an unusual step: he gave up painting around 500BC and signed himself as a potter thereafter. I find it hard to believe that he put down the paint brush for very long. Most of the Greek pottery which now crams our museums had a precise social use: it was displayed at the drinking-party, or symposium, where select groups of men would meet, talk and drink wine mixed with water. The better classes would show-off their civility by the excellence of their pottery, manners and conversation.

In Euphronios's lifetime, the main mixing bowl, or crater, was taking on a new shape (the calyx): the Louvre show has assembled three of his best examples. Wine coolers had also just come in, tall wine jars which could be stood in a surrounding bowl of snow or ice in order to chill the drinks while the guests sported and chatted. The Louvre greets us with a famous cooler on which Euphronios has painted a group of naked ladies reclining, playing the flute and looking much too charming to be dipped in snow. At a decent symposium, women were not present, unless they were flute-girls or serving-maids or panto-mime-dancers. A favourite male game was the flicking of wine-drops at a target while admitting the name of one's (male) crush of the moment. On one view, which is not proven, the winner received the flute-girl as a prize for the night.

Detail from the death of Zeus's son by the Greek potter Euphronios, whose work is currently on show in the Louvre

Some symposia were more orderly than others but it was important to be seen to have smart, well-made pots. A scholarly war is still being waged over the value of all this painted pottery to the Greeks themselves: one view is that the items were all extremely cheap and were only seen as valuable works of art when collectors began to talk them up in the 18th century. What is certain is that the taste for these goods spread rapidly. Like the Greek theatre or athletics, Greek pottery and the symposium were exported to smart foreign societies. Much of it was exported to Italy, especially Tuscany. The upper classes of this barbarian world liked it and took up Greek habits of wining and dining, like Russians in the 19th century, playing with French manners.

Socially, it is worth any visitor's while to ponder Euphronios's various scenes. Episodes from Homer are important: the star of this show is the scene of Zeus's son, Sarpedon, who is being laid to rest by the two brothers, Sleep and Death. Horses, too, have a good outing, although there were no stirrups in ancient Greece. The main impression, however, is one of athletics, war, music and sex.

It tells us, I think, what it was like to be a cultured aristocrat. You paid and enjoyed music on the lyre or pipes; you practised the athletics which we still imitate, although you did them in the nude; the sex, however, would raise a few modern eyebrows on a bit of Crown Derby. Euphronios's world was unashamedly fond of male beauty, homoerotic, perhaps, rather than gay or homosexual. There are pictures of women keeping off excited admirers but the finer touches are reserved for the gymnasiums and are directed by young and old males at each other's private parts. There is also the matter of captions. From c.520-475BC, some of the best Greek vases are stamped with the slogan that this or that man is beautiful. The favourite of Euphronios was one Leagros, whom other workshops also praise. His slogan was pre-stamped on pottery and sold abroad to smart buyers who had never seen him. Imagine selling English tea-sets to the Japanese, pre-stamped with the slogan "Simon is lovely." The Louvre show has made me wonder if Leagros was himself a famous athlete, like other figures on the pots. We know nothing about him, except his fan-club. "Gazza is Gorgeous": that, at least, is a slogan which I can imagine stamped on pottery, following Euphronios's into the homes of Tuscany's fashionable set.

Opera Video

Close-up on Chéreau's 'Ring'

HARDENED BRITISH Wagnerites are doubtless presently immersed in the serial *Ring*, drip-fed to them on Saturdays one act at a time courtesy of BBC 2. Nikolaus Lehnhoff's production from Munich is undeniably televisual and intriguing, and is surely now being added to countless home video libraries, just in time to be compared with its television predecessor. Patrice Chéreau's centenary production from Bayreuth, which rather belatedly has appeared on video cassettes (Philips 070 407-3, seven videos).

The commercial release of such a major undertaking, handsomely packaged in a slipcase and thoroughly documented, with the television documentary "The Making of the Ring" included as a fill-up, at least proclaims confidence in the firmness of the opera-video market. In the short term at least, it seems, companies do not envisage other audiovisual media – laser discs, CD-ROM – supplanting the traditional technology. And in any worthwhile video catalogue this of all *Ring* cycles, arguably the most famous and certainly the most widely seen production of the post-war era, has to have a place.

The characteristics of Chéreau's conception and of the performances under Boulez have been exhaustively explored in the 13 years since the production was unveiled; the translation of the music drama into a post-industrial myth, with the Rhinemaidens guarding a hydro-electric dam, Wotan as a caricatured capitalist, has itself seeped into the mythology of director's opera. Whatever its intrinsic merits (and to my mind they are considerable) there is no doubt that this staging transfers wonderfully well to the small screen, not because of its scenic compactness – no Wagner production of appropriate grandeur is likely to do that – but because Chéreau's priceless ability to make opera singers act convincingly lends such a fine grain to the performances.

For once camera close-ups do not reveal semaphore gestures, but detailed characterisations; confrontations such as that between Fricka and Wotan in Act 2 of *Die Walküre* then become tense power struggles, consistently enthralling. The cast, which probably represented the cream of Wagnerian talent in the 1970s has few obvious weaknesses: Donald McIntyre's much travelled Wotan, Gwyneth Jones's Brünnhilde, Manfred Jung's serviceable Siegfried, a finely matched Siegmund and Sieglinde from Peter Hoffmann and Jeannine Altmeyer. The production (and Boulez's lucid if sometimes unidiomatic conducting) remains as fascinating now as it was when first shown on television.

Alongside the *Ring* Philips has also made available two other Bayreuth productions of recent vintage – a *Lohengrin* (also released on laser disc) that I have not been able to view, and Harry Kupfer's marvellous *Fliegende Holländer*, conducted by Woldemar Nelsson, first seen at the Festspielhaus in 1978 (070 406-3). Its blurring of imagination and reality, with Senta placed at the eye of the psychological storm, is a technical and interpretative *tour de force*, which may lose something visually from the spatial compression of a video – hard to comprehend the spinning room or the lowering prow of the Dutchman's ship – but remains fiercely uncompromised. The performances are variable: Simon Estes is a dullish Dutchman, Lisbeth Balslev an intriguing Senta; Nelsson has his moments in the pit. Overall, though ,it is a thoroughly distinguished issue.

Just how distinguished emerges in comparison with the very mixed bag of recent releases from Virgin Vision, in which the quality of performance, production, and simple technical presentation veers between the acceptable and the perfectly inadequate. Only two stand close scrutiny. Prokofiev's *Love of Three Oranges* is the Lyons Opéra production from which Kent Nagano's award-winning recording was derived (VV 805); Louis Erlo's slick staging of an extremely silly opera is captured well by the cameras (in what appears to be wide-screen Cinemascope) and the cast (led by Gabriel Bacquier, over-acting madly) is an excellent, Francophone one. And while the *Clemenza di Tito* from Drottningholm (VVD 676) may be spoilt by fuzzy focus and unconvincing colour, the performance is so fine and evocative that the technical shortcomings are easily forgiven.

When so much of the essential character of Drottningholm Mozart appears to be lost as soon as it gets within sight of a recording studio it is invigorating to be reminded of the sheer joyousness of the genuine experience, of the stylish light young voices (Anita Soldh and Stefan Dahlberg are outstanding on this set), the rightness of Arnold Ostman's tempi and articulation, and the imperishable intelligence of Göran Järvefelt's productions. Drottningholm offers one of the most intense experiences in opera today; even ten per cent of it, on videotape, is worth the investment.

Andrew Clements

New York Saleroom

Designer label Impressionists

NEXT WEEK is Impressionist Week in New York sale rooms. These are the season's fashionable auction sessions where admission is by ticket only and where anyone with a serious interest in buying art must vie for standing room with the city's moneyed and smart elite. Sales like these are to New York what the designer showings are to Paris and indeed, like Chanel and Dior, the New York auction houses now offer Spring and Fall Collections. In preface to one of this week's catalogues, Al Taubman, the Chairman of Sotheby's, does not deign to state that the works described are for sale. Instead he refers to Sotheby's as "being honoured to present an exceptional collection" as though his firm was the Yves Saint Laurent of Manhattan's Upper East Side. Do not, however, expect couture: this is purely commerce and what Taubman means is that Sotheby's will be conducting an auction.

Beginning on Monday night (November 12), when Sotheby's will sell 37 works from the collection of the late Henry Ford II and concluding on Thursday afternoon with a general sale at Christie's, a total of just over 600 paintings, sculptures, and drawings will come under the hammer. Between them – if the auctioneers' predictions are correct – they will fetch anything between $350 and $475m. Among the good, bad, and indifferent works of art that will be offered, both auction houses have managed to find one highly-desirable painting each, at Sotheby's, an important and attractive Renoir, "Le Tasse de Chocolat", is estimated at $15-$18m while at Christie's, one of Van Gogh's last paintings – "A Vase of Poppies and Daisies" – is expected to fetch between $12-$16m.

By a strange coincidence it was paintings by both these artists, Van Gogh's "Portrait of Dr Gachet" and Renoir's "Au Moulin de la Galette", which topped the bill at the May sales of Impressionists in New York this year; and not only topped the bill, but at $82.5m for the Van Gogh and $78.1m for the Renoir became the two most expensive pictures ever sold at an auction. Incredibly, both pictures were bought by the same purchaser, the Japanese paper magnate and collector, Ryoei Saito; the model in next week's Renoir, Margot Legrand, also posed for "Au Moulin de la Galette" and Van Gogh's "Vase of Flowers" was possibly painted, in the Summer of 1890, at the house of Dr Gachet.

The Renoir is desirable on several counts: subject matter, date, provenance, and quality. Painted in 1878 and exhibited that year, it marked Renoir's return to the salon after an absence of eight years during which time he had shown at the first three Impressionist exhibitions. Having been in the Henry Ford family for over 50 years – it was bought from Durand-Ruel in 1937 – the picture is fresh to the market and in today's climate that is a decided advantage.

Van Gogh's "Vase of Poppies and Daisies" is not his most attractive flowerpiece but such pictures have become today's icons and, because of that, there is a strong market for them. In the same sale there is also a large pen and ink drawing by Van Gogh. This was done in Arles in 1888 and depicts a cottage garden: it is estimated at $5-$7m.

Renoir's 'Le Tasse du chocolat': Sotheby's hopes for $15-18m

Christie's main auction of just 47 lots is really a very good sale. There are particularly fine examples by Picasso, Miró, Giacometti, Monet, Chagall, Léger all with suggested price tags of over $5m but works by Mondrian, Renoir, Manet, Signac, Pissarro, and Sisley are also on offer. Picasso's "La Dormeuse au Miroir" – one of six works by the artist in the sale – was painted in 1932 and depicts his mistress Marie-Therese Walter: this is estimated at $7-$10m. Of the four paintings by Monet, a broadly painted, large study of waterlillies of about 1920 (estimate $6-$8m) and an early "View of Argenteuil" painted in 1872 (estimate $4-$5m) are the most notable. Fernand Léger is particularly well represented with Cubist still-life paintings dating from 1913 (estimate $10-$12m) and 1914 (estimate $4-$5m) as well as a canvas dating from 1919 (estimate $2-$3m). Although all the paintings in this sale will attract prominent collectors and dealers, the works in Christie's "Part II" sale on Thursday afternoon (November 15) are geared more for the Japanese market. There are several washy female portraits by Marie Laurencin, urban landscapes by Utrillo, Marquet, and Vlaminck, moody interiors by Vuillard and Lebasque, and sub-Impressionist landscapes by Loiseau, Henri Martin, and Guillaumin.

Henry Ford's Collection at Sotheby's includes all the best names that money can buy: eight works by Picasso, five by Renoir, four by Degas as well as examples by Bonnard, Cézanne, Matisse, Modigliani, and others. The Modigliani, a portrait of the American artist Morgan Russell, was painted in 1918: it is estimated at $8-$10m. A Cézanne landscape of Jas de Bouffan, painted in 1885-7 is estimated at $7-$10m.

Sotheby's main auction session on Wednesday evening will include four pictures from the collection of Greta Garbo: they will sell the remainder of her collection at a later sale. The pictures on offer this week – three by Renoir and a flowerpiece by Bonnard – are the most expensive items she had: her other pictures are all silly studies of dogs and children. Astonishingly, all four major paintings were purchased by Garbo from different galleries in New York within the short space of two weeks in November 1942. As the actress never bought another big-name picture, her brief and compulsive foray into collecting seems all the more bizarre. The Renoirs are soppy examples but they are being offered with fancy estimates: $2-$3m, $4-$6m, and $7-$9m. They will probably fetch those figures and more because, like the man who danced with the girl who danced with the Prince of Wales, there will be a collector somewhere who will want a picture that was once owned by the legendary goddess of the silver screen.

Homan Potterton

Shows of jade and lacquer

EXHIBITION openings at Oriental art galleies have often born an uncanny resemblance to the first day of Harrod's sale. Eskenazi has had the world's museum curators camping in queues along Piccadilly; as the doors opened on one impressive gathering of Tang pottery, 17 works of art were sold in five minutes, and nearly £2m changed hands by the end of the evening. At Bluett, rivals for a prize Ming bowl even came to blows.

Embarrassed by such unseemly scuffles, the galleries no longer wait for the private view to begin apportioning their goodies. The change should relieve both prospective punters and Piccadilly shoppers when the Greenfield Collection of Japanese lacquer makes its public debut at Eskenazi on November 20.

The collection is a considerable coup for the London-based dealers who outbid stiff competition in the form of American museums, including the Freer Art Gallery in Washington and the Joe Price Foundation in LA, and auction houses (whom Mr Greenfield apparently did not trust to handle the pieces).

Is it the finest collection of Japanese lacquer in private hands? "That is what every serious collector asks," sighs Luigi Bandini, Eskenazi's Japanese expert. "There is perhaps only one or two private collections equal to this. The point is this is the only one available on the market."

Charles A. Greenfield, a retired member of the New York Stock Exchange, began collecting in the 1930s and continued after the war when things Japanese were far from fashionable. (A gradual upturn in the market only came in the 1960s, followed by a dramatic rise in the '70s.) The entire collection was exhibited at the Metropolitan Museum in 1980.

Greenfield was particularly interested in early pieces, the work of rare artists and unusual lacquer techniques. What makes his collection so exceptional is the extreme rarity of one or two pieces, the concentration of quality throughout, and the fact that a large proportion has only been on the market once or twice since it began arriving in the West in the 1880s.

The two dilemmas facing Eskenazi were how to price these rarities, the like of which cannot be found on the market, and the extent to which the group should be repatriated. The firm paid £3m for the 141-piece collection in January 1989, unsure that there could be a profit. After a year of research the uniqueness of a number of pieces began to emerge, and prices were amended accordingly. They are vast for lacquer (£5,000-350,000), but it is worth remembering that good Japanese wood block prints now realise £600,000.

Perhaps 75 per cent of all Japanese works of art sold at auction in the West ends up in Japan. Some Japanese have expressed interest in acquiring the entire Greenfield collection, but is as good as guaranteed that what goes into Japan will never come out, and an object's circulation is lost for ever on the Western market.

No doubt any number of museums or collectors in America or Japan would be prepared to scuffle for the exquisite writing box by Kanyosai (£250,000) whose cover bears the extraordinary and unusual image of a courtesan spitting or blowing black ink onto a wall to form the words "secret love". On the inside, sit two women watching fireflies, the souls of soldiers who died at the battle of the Uji River.

Another highlight is a complete 18th century incense ceremony set used for a courtly game in which participants tested their skill in identifying rare and fragrant woods. It bears the top price of £350,000, along with an early 17th century writing box attributed to Hon'ami Koetsu illustrating a startled hare among pampas grass. Its underside is still more beautiful, an atmospheric night scene with a half moon set against a larch tree and above autumn grasses.

Less exalted but no less appealing is the comprehensive range of 104 inro, each with netsuke, painstakingly decorated with anything from ships to musical instruments, and quails to vivid blue irises. They can be seen at 166 Piccadilly, W1, November 20-December 7.

Bluett's (48 Davies St, W1 from December 11-10) also offers a single-source collection, and another superbly illustrated and scholarly catalogue. This represents the finest of the Chinese jades from the Mu-Fei Collection amassed by Professor Cheng Te'K'un. His is a study collection formed as a teaching tool, and as such offers a history of jade from the neolithic period to the end of Imperial rule in 1912. These small carvings, confected into stylised and naturalistic animal and human forms, were conceived as sleeve weights or toys, a Chinese equivalent to worry beads. The finest here are well known through numerous publications, but their charm can only begin to be appreciated when they are nestling in the palm of your hand. Jade reveals itself slowly.

In terms of the marketplace, jade is also a somewhat recherché taste. Traditionally, the lack of a convincing chronology has resulted in relatively modest prices, but as the publication of archaeological research increases that caution is gradually diminishing. In the last 15 years a framework for dating has been established by a group of discerning Hong Kong collectors, although it is far from being universally accepted. Bluett's prices (£300-£75,000) reflect the degree of confidence in the dating of a piece, as well as its more obvious sculptural qualities. Arguably, Chinese jade is vastly undervalued.

Susan Moore

ARTS

More than table talk

***Malcolm Rutherford** reviews David Edgar's new play*

OF THE current crop of plays about recent events in eastern Europe, David Edgar's *The Shape of the Table* is going to be exceedingly hard to beat. I have already praised Joseph Brodsky's *Democracy* which played at The Gate last month; Edgar's piece has the advantage over that because Edgar is the better and more experienced playwright. Equal praise has been given to the Royal Shakespeare production of *Moscow Gold* by Howard Brenton and Tariq Ali. Edgar scores over that, too, because ultimately he is a more intelligent and more thoughtful writer who does not need burlesque to make his points.

Practically the only thing wrong with *The Shape of the Table* is the title. It derives from the Paris peace talks on Vietnam in 1968 when the negotiating parties took over six months to arrange the seating. Shifting chairs and tables in this production at the Cottesloe takes an inordinate amount of time and distracts attention from the dialogue, the acting and the thought. Edgar should get Vietnam out of his mind for a while; the unfolding of events in this play – from dictatorship to a fledgling democracy – takes place within five weeks.

The setting is an east European capital in November/December 1989. If it is not directly called Prague, it is somewhere remarkably like it. The student revolution is at the gates: the Soviet Union is not disposed to intervene and the international media are on the doorstep, ready to transmit any suppression of the demonstrations around the world.

But, unlike (say) Caryl Churchill's play about Romania, this is not documentary. Unlike *Moscow Gold*, it can scarcely be accused of being trivial. *The Shape of the Table* is witty, cerebral, informed and informative, and in the end even moving. For, true to his socialist convictions, Edgar finally sheds a tear for the old communist leadership which originally had ideals of its own.

There are three main parties to the events, though lots of sub-divisions. First there is the old regime of communist trades unionists and opportunists. Then there are the students and intellectuals who want change. In the middle there is Victor Spassov, the Dubcek figure who sought the new dawn in the late 1960s, but was overcome by a mixture of Soviet tanks and local stooges. Spassov, played by John Ringham, returns in the midst of the debate between the new protestors and the government.

If the play has a moral, it is that the 1989 revolution was put in train by the very people who put paid to the Spassov attempt in 1968: the Soviets will no longer use force and some of the post-1968 rulers know when it is time to give up. But *The Shape of the Table* is vastly more interesting than that: watch, for instance, the splits within the various camps, the contempt between trades unions and intellectuals – the students have a trade unionist mentality in their midst, as well as the workers' party. Listen to the verbal play: "What's the third alternative?" Slight pause: "The third option is . . ." Look at the faces.

Apart from the quality of the writing, the piece is suberbly acted. Stratford Johns plays the old first secretary to perfection: see his clothes and figure. Peter Sproule as the old party trade unionist looks as if he could have stepped out of the TUC Conference. Oliver Ford Davis as the Prime Minister who cedes power has diplomatic finesse coming out of his fingertips. It is directed by Jenny Killick, who needs only to devote less time to the seating.

Witty and informed: a scene from 'The Shape of the Table' at the Cottesloe Theatre — Alastair Muir

Mellor comes up trumps

***Antony Thorncroft** reports on the Minister's unexpected generosity*

ONCE AGAIN the arts have been generously treated by the Government's annual cash dispensing machine. The Arts Minister, Mr David Mellor, looking almost as happy as Father Christmas, announced yesterday that he was distributing over £46m more, to a total of £486m, among the voracious arts activities of the nation in 1991-92. This is a rise of 10.5 per cent, which, given next year's downward inflation forecast, should provide a little gravy.

But a year ago the then Minister, Mr Richard Luce, dumbfounded the arts world by announcing an even more generous deal. Inflation ate away at all his munificence so it would be foolish to predict that the "we want more money, or we close" sniverlings from art companies have disappeared from the land for ever.

It is obvious that Mr Mellor, a former board member of the London Philharmonic Orchestra, is going to be a much more "hands on" Arts Minister than his predecessor. He is giving the Arts Council 11 per cent extra, a £19m rise to £194.2m, and said that he expected it to pass on just over 8 per cent more to its clients. This should cover inflation but it will not wipe out their deficits or make good the cut backs in arts funding from local councils which is causing such concern among theatre companies in particular.

However the Minister came up with a new initiative, the Enhancement Fund, which will provide the Arts Council with £7.5m a year for the next three years to give as additional subsidy to arts organisations that are regarded as particularly good performers. This is not actually new money: it takes the place of the £5m a year Incentive Fund, and we can say goodbye to the Council's housing the arts and television initiatives which had been earmarked to spend another £3m.

But although the Minister repeatedly stressed that Enhancement money would go to successful arts companies, small as well as large, it could doubtless be used to help out some of the walking wounded – the RSC, for example, with its £3m deficit and the Royal Opera House, fast approaching £5m in the red. "It will be meat and potatoes for the many and then gâteau for some" was Mellor's description of funding for 1991-92.

But the Council, and Mellor, will expect companies receiving Enhancement aid to get their financial act as well as their artistic act together. He wants to know where the top ups are going. All told the 1991-92 grant makes the polemics against a philistine, arts hating, Government, put about recently by Sir Peter Hall, look pretty silly, although the extra money will do little more than ensure survival for the arts, given the restraints on local government funding, and the difficulties in getting larger box office revenue, and corporate sponsorship, in a recession. And the planned arts budget increase for 1992-93 is still just 3.6 per cent.

The most striking beneficiary of Government generosity is the National Heritage Memorial Fund which has the task of securing the national heritage, both works of art and nature. Its annual grant of £3m (part of which comes from the Department of the Environment) has been raised to £12m, which should help prevent major art works leaving the country. It also enables the Government to freeze the purchasing grants of museums and galleries for yet another year.

The national museums and galleries are to receive 8.5 per cent more, a rise to £107.4m, to cover their running costs. This will immediately be eaten up by a higher wages bill, which accounts for virtually all their expenses, and offers them little room for expansion. Some museums are especially favoured, the National Gallery receiving 17.7 per cent more, to enable it to staff the Sainsbury wing which opens next year.

Once again the forecasters have been proved wrong about the arts budget. David Mellor said yesterday "I know from experience that there are real needs in the arts". He had good words for almost everyone, including the RSC. He has very quickly made his mark as an interventionist but a committed friend of the arts.

Irek Mukhamedov as Solor: first appearance as Royal principal

Shades of 'La Bayadère'

***Alastair Macaulay** reviews the Royal Ballet at Covent Garden*

THE CORPS de ballet at Covent Garden is neither good nor bad – but for over eight years now it has not been good enough for *La Bayadère*. And it is not just that the 24 girls who enter in the great Kingdom of the Shades scene, in single file down a ramp, present a surprising range of shapes and sizes.

As, one after another, each extends the line of her body in arabesque, they show subtle differences on how the step is done. Or not so subtle; one girl on Wednesday kept raising her leg way higher than everyone else.

And what's *Bayadère* without a great corps de ballet? The Shades scene is, or should be, like nothing else in the repertory. As the Royal used to dance the Shades scene until 1978, those arabesques were Elysian lines through which infinity passed; with the Kirov, they are gestures out into space, at once ardent and serene.

Well, my question has an answer. Without a great corps de ballet, *La Bayadère* is just grand silent melodrama – it's almost silent opera – and one goes back to it to see what each different cast of principals makes of their roles. On both Tuesday and Wednesday, the role of Solor was taken by interpreters new to Covent Garden. The French Laurent Hilaire and the Soviet Irek Mukhamedov, though neither was at his best, both claimed the role with assurance. When they announce in mime "I killed that tiger," you don't believe the tiger (its stuffing sags), but you believe them. Hilaire has virile elegance; it was good to see him shaping his dances in firm phrases rather than as a series of isolated feats (the Parisian way). He is using his visits to London to enrich his already impressive gifts.

Mukhamedov, the Bolshoy star who is now a Royal principal, was making his first appearance this season. It was a problematic performance. How he convinces as an exotic warrior – with that extraordinarily powerful physique, that mighty brow, those slashing cheekbones – and what weight his mime has. He radiates integrity, strength, mystery. In Act One, however, his dancing was way off form; and much of his partnering, though full of heroic touches, seemed under-rehearsed. Not even in the Shades scene, did he find the ferocity, the speed, the bite that his seasons here with the Bolshoy lead us to expect.

Yet there was just enough to show that yes, Mukhamedov is a great dancer. Who else could so combine velvet and mass and attack in a single phrase? He is both panther and spear. His Nikiya, Lesley Collier, has danced the Shades scenes before but was new to the complete ballet; a clear, detailed and tender account, short of fire. Thanks to Mukhamedov, her slow descents from lifts were thrillingly luxuriant. Deborah Bull was an unpleasantly hard Gamzatti.

Gamzatti, like Amneris in *Aida*, is a complex, sensual woman, as young Darcey Bussell had showed on Tuesday night. Bussell in this role used to be strong and dull; now she is strong and interesting – very. Nor has she changed in any obvious way. It is just that she has come into focus. She is all self-discovery. Her Gamzatti is innocently rapacious, refined, and melting in the face of desire. She has time for everything; her very walk is decisive. Opposite her on Tuesday as Nikiya was Sylvie Guillem, who is no less decisive but who never takes her audience into any private world.

None of these performances are enough to make *La Bayadère* a great evening in the theatre. But early in Wednesday's performance Stephen Jefferies entered as the High Brahmin and I was astonished. This priest is a man at once of religious fervour and private trouble. The whites of his eyes blaze; the carriage of his head is heavy; he walks with brooding mystery. He, in love with Nikiya, trembles as he lifts her veil and again as he beholds her; and when he observes her tryst with Solor he is wracked by grief. A great performance, original and deeply moving.

Ghost of James

SHIVERS THERE are indeed, but William Archibald's play *The Innocents* cannot equal the shivers of Henry James's *Turn of the Screw*, from which it is adapted. Peter Quint and Miss Jessel, the ghosts, do not have the same evanescent reality on the stage that James gives them on the page. At the Everyman, Chelthenham the director Sheila Mander shows us Quint's shadow, she shows us a ghostly Miss Jessel upstage, but she can't suggest how real they were to young Miles and Flora, or whether they were in fact partly invented by Miss Giddens, the new governess, as representations of her own obsessions.

Archibald relies on atmosphere rather than plot. There is in fact little plot. Miss Giddens (Amanda Garwood, young and smart) has arrived as governess to Miles and Flora, two orphan children, with instructions not to bother their uncle, nominally their guardian. She must deal with any troubles herself; and at once Miles is sacked from school, for no reason except that he depraves the other boys. All that Miles will admit is that he "said things".

Then in the grounds Miss Giddens sees a sinister man whom Mrs Grose the housekeeper recognises from her description as Peter Quint, formerly working at the house, now dead from an unaccountable wound. Indoors, she sees a shadowy figure identified as her predecessor, Miss Jessel, also now dead. Ghostly Quint is after the boy, Miss Jessel haunts the girl. Archibald gives no hint of a lifetime affair between them.

Miss Giddens soon feels that the house is unsuitable for children, and sends the tractable Flora away (where to is not clear), keeping Miles behind. She wants to know what there was between him and Quint, why Quint should rise from his grave to continue their association, what fault he had passed on to the boy that led to his expulsion. She is near success when Miles, confronted by Quint (out of sight), repudiates him; but Quint has further weapons at hand, and the boy dies in her arms.

There is no more to it than that, but I am writing of William Archibald, not Henry James. Designer John Knowles clearly has ideas of his own, with those eyes on the walls either side of the ugly staircase that rises through the ugly sitting-room. The children, however, are as delightful as their governess, and Henry James, clearly found them, with a kind of mutinous good behaviour. Andrew Harvey's Miles might be a schoolboy of our time, but with prettier hair; he dies with uncommon good manners. Nicola Ratcliffe's Flora is already an actress, whom a less partial governess could have smacked with advantage. There is a telling performance by Joan Campion as Mrs Grose, the old housekeeper.

B.A. Young

Peace in Utrillo war

THE FIRST major show of Utrillo paintings to be held in France for over 20 years opened in Paris recently month after the world's leading expert on the painter, his godson Gilbert Petrides, patched up an ancient legal feud with Jean Fabris, the sole legatee of the artist's widow Lucie Valore.

The exhibition, organised jointly by the two former enemies at Galerie Petrides on Faubourg Saint Honore, features 45 major works, principally views of Paris and its suburbs, painted between 1908 to 1950 and including several of the so-called "white period" canvases of 1910-14 generally considered Utrillo's best.

For Mr Fabris, the exhibition represents sudden respectability and a successful end to a self-imposed crusade aimed at purging the art market of copies of Utrillo's work. It has also secured him a share in the Petrides family's lucrative monopoly in evaluations of the painter's works: Paul Petrides, Gilbert's father, was Utrillo's dealer from 1936 until the painter's death in 1955 and wrote the only catalogue raisonné of his work. He remained an authority on the painter despite being deprived of his coveted title of "expert" following a conviction for handling stolen paintings in 1979.

Utrillo painted over 4,000 works, often as a desperate therapy for life-long alcoholism and many of them are of negligible aesthetic value. One on show at Galerie Petrides dated 1936 depicts the high-walled garden where the painter was kept a virtual prisoner to stop him going on drinking sprees. Utrillo, Jean Fabris says, used to write "I'm not mad, just alcoholic" on scraps of paper and throw them over the wall.

Jean Fabris is convinced that many Utrillos to have come on the market over recent years are fakes and in 1989 he alleged that a third of the works in the Petrides catalogue were copies. A former journalist, he worked as secretary for Lucie Valore, Utrillo's widow, from 1963 until her death two years later aged 86. Her will made him co-heir to the Utrillo estate but only on October 3 did a court in Versailles grant Jean Fabris "droit moral" – the right in French law to protect an artist's name and reputation – at the end of an unsuccessful law suit brought against him by Robert Schmit, a Paris dealer accused by Fabris in 1982 of harbouring two fake Utrillos.

Fabris's noisy protests about alleged fakes made him famous and feared. In April last year he disrupted two London sales at Sotheby's and Christie's where Utrillo paintings with certificates of authenticity signed "Petrides" were due to go under the hammer by shouting "Fake, outrageous fake!" He was expelled from both houses, but took out legal proceedings against auctioneer Guy Loudmer and obtained the seizure of seven Utrillos, also with Petrides certificates, estimated at £700,000, only hours before a major auction.

The confidential laboratory report on the paintings by Paris police described them as "mediocre fakes." Auctioneer Guy Loudmer ordered another report whose findings have not yet been published. The works are still in police custody and the auctioneer was ordered to pay Jean Fabris's lawyer Frs 150,000 damages for calling him a "terrorist."

"We stopped fighting last March when Petrides promised not to establish certificates without me. I am a bit crazy but we all need a reason to live. It can be drugs, alcohol or women. I chose Utrillo," Jean Fabris said.

"We came to an agreement because we had to. The climate was very unhealthy and Utrillo prices were going to drop. Fabris said he wanted to mount a major exhibition. It was the best solution for everyone involved, especially Utrillo," Gilbert Petrides said.

Nicholas Powell

Chess No. 846:
Its a draw: 1 Rf1 (not 1 Rf8 b2 2 Rg8+ Kh5 3 Kf5 b1Q gives check) b2 2 Rg1+ Kh5 3 Kf5 Kh4 4 Kf4 Kh3 5 Kf3 Kh4 (not Kh2? 6 Rb1 and White wins) 6 Kf4 Kh3 with repeated moves.

Radio

Unusually long runners

THE DRAMA schedules have been unusual lately. Radio 3 has given us great heavyweights on Sunday and comparative lightweights on Tuesday – not much weightier, though more serious in theme, than Radio 4's Thirty-minute Theatre on Tuesday. Radio 4 likes serials, and, counting series as serials, there will be five running next week, as well as *The Archers* and *Citizens*. *The Forsyte Chronicles* take up the Saturday play slot for a fair time yet; *The Adventures of Sherlock Holmes* started this week; and tomorrow we begin seven pieces about *Arthur the King*. This has a *de luxe* production. Keith Baxter is King Arthur (though without Joan Collins as Guinevere); Anna Massey is Morgan le Fay and Paul Scofield, Merlin.

Last Sunday's heavyweight was *Observe the Sons of Ulster Marching towards the Somme*, by Frank McGuinness, a success both in Dublin and Belfast, and well reviewed in London. I am afraid that Eoln O'Callaghan's production for radio hardly held my attention throughout its two-hour slot. Here were eight young Protestant volunteers in the Ulster Regiment, as much concerned with the politics, and the religion, of Ulster, as with the battle they are about to fight in the first war against Germany, and their talk filled the time waiting for the attack to begin. This it does at the end of the play.

The men's varying loyalties and assorted characters were interesting, yet these were surely not recruits waiting to go "over the top". Where was their background in the trenches, any suggestion of officers, latrines or small arms? Perhaps it was all better when you could see it. Radio 3 on Tuesday gave a dramatic monologue, William Ingram's *Knock, Knock, Who's There?* Ronnie is a Welshman who lives with his ageing mother, and thinks endlessly, aloud, about his family and his Irish friend Mick, another one who wants a romantic friendship. But all ends as it began, and indeed went on. Ingram, who himself played Ronnie cleverly, must have intended the dullness of the people, for dullness is the theme of the play, and dull it was. Enyd Williams directed.

It may seem odd to compare this, or last week's *Dead Souls*, with Radio 4's Tuesday Thirty-minute Theatre, but both tend to be elaborate shaggy-dog stories (and none the worse for that). This week, in Chris Allen's *The Ice-cream Van*, a pompous suburban householder unexpectedly makes friends with an ice-cream salesman, so unexpectedly gets arrested for dealing in drugs. Last week, Sian Evans's *Dancing on the Turf* (as Welsh as *Knock, Knock*), was about family complications at an old woman's funeral, and ended with an important revelation of what had happened 60 years ago. Colourful half-hours like these make a pleasant way of passing time.

The new Sherlock Holmeses are on Radio 4 on Wednesday afternoons, with Clive Merrison as Holmes and Michael williams as Watson. First came *A Scandal in Bohemia*, where Holmes saves the King of that nation from blackmail by Irene Adler, who had been his mistress. Irene Adler, the only woman Holmes ever loved, made it easy for him by marrying another man, with Holmes, disguised as her coachman, as witness. It introduced the dozen-strong series well enough. Patrick Rayner directed.

You needn't be a paedophile to like *William*; indeed, he seems to have been designed for paedophobes. Jeffrey Richards's *The World of William* (Radio 3, Monday), gave us a description of the memorable little brute rather than an experience. But it told us unexpected things about his creator, Richmal Crompton, who kept him 11 years old for 50 years, and also wrote 41 forgotten serious novels. You can have *Jennings* (Radio 5, Monday to Friday, read by Stephen Fry), whose school must be the prep for Greyfriars. When he did something silly "he realised the enormity of his offence". That wouldn't do for William.

B.A. Young

SPORT

Soccer/Peter Berlin

The king is dead, long live the king

THE CRISIS at the palace of English soccer lasted for just four days. By 5pm last Sunday, when Kenny Dalglish slipped into the press lounge at White Hart Lane, he was king again and the gentlemen of the press, who had been spreading sedition just that morning, his obsequious courtiers once more. Liverpool still ruled.

Dalglish, the manager of Liverpool, is the archetypal tight-lipped, ashen-faced soccer supremo. He is naturally pale, his lips thin and colourless; during an interview he sucks first the top lip and then the lower lip over his teeth.

In public he is guarded but not purely defensive. The list of subjects on which he will not comment is almost exhaustive. He will not talk about team tactics, he will not talk about possible transfers of players and he will not criticise the referee (although this is a rule he will break when it suits him).

Even though he is doggedly parsimonious with information, he is all the while determinedly himself. He does not attempt to cloak himself in the fuzz of cliché and soccer double speak beloved by his peers. When he detects any element of these in his interrogators – as he frequently does – he cannot resist a sharp put-down. He is still as competitive as he was as a player, his brain is still as sharp and he can still be, in soccer parlance, a little bit evil. These were all characteristics he displayed in his great days as a Liverpool player and which his team still displays.

At Norwich, where Liverpool's winning run had ended in a 1-1 draw 15 days earlier, Dalglish's team had looked like a sleepy lion after a good lunch being worried by an energetic terrier. They were outplayed, yet all the while suggested they could have gobbled up their opponents with just a couple of movements.

Last Sunday afternoon, Liverpool were again kings of the jungle. They were without their best defender, Hansen, their best midfield player, Whelan, and, after 18 minutes, their best attacker, Barnes. Only sporadically did they produce the fluent, simple passing that is their hallmark, but they still won comfortably, 3-1.

They were just too intelligent, too competitive and too nasty for a skilful young Tottenham side. Liverpool were also too strong. Burrows and McMahon showed Liverpool's hard side by playing tag team with Gascoigne, who spent the afternoon helplessly buffeted around the pitch in a distracted fury. When Gascoigne and Allen tried to knock Liverpool's super-heavyweight playmaker Molby out of his stride, they just bounced off.

The most striking aspect of the game was the way Liverpool managed to impose their game plan – clog the midfield, wait for mistakes and settle for the draw. Tottenham's talented, athletic young players failed to adjust to the League champions' approach.

After Liverpool's third goal Spurs panicked and started booting the ball hopefully forward: a mistake that Liverpool, well-drilled and tactically astute, would not make.

Liverpool's great strength is the resilience of their system. Whelan, Hansen and Barnes can disappear and less well-known men take their places, but the football is still unmistakeably the same. Other managers dare not risk tinkering with their teams if things are going well in case they destroy the chemistry. Instead, they insist, in time-honoured style, that they do not need to worry about the opposition, the opposition should worry about them.

Liverpool's system is stronger than that – not least because they have the knack of winning even when things are not going well. Dalglish is quite happy to alter the balance of the team from one game to the next. He dropped his smallest player, Beardsley, for the visit to Wimbledon – a big and physical team – early in the season.

Against Spurs he clogged the midfield and packed the defence to stifle Spurs. It is difficult to avoid the suspicion that Dalglish was ignoring another soccer bromide – about taking each match as it comes – and realised that the important thing was to avoid a defeat which would reinvigorate Tottenham's title challenge.

The win means that with the season only a third over, Liverpool have effectively ended Tottenham's chances. The champions' only adversary now is Arsenal, who snatched the championship cup from Liverpool's lips two years ago.

Arsenal are built on Liverpool lines, strong in defence, tireless in midfield, adept at smothering opposing teams and prepared to pick them apart with quick methodical passing movements. Arsenal lack Liverpool's flair in attack, where the injury-prone Smith jostles for a place with the talented but dim-witted youngsters Groves and Merson, and their football cannot touch the heights that Liverpool reach: but they are a younger team with immense stamina and have great depth in midfield and defence.

If Liverpool cannot shake off Arsenal soon, then the pressure might expose the cracks in their team. Barnes needs to rest because of a persistent hamstring injury. And Dalglish likes to give Beardsley an occasional break to recharge his low reserves of stamina.

But if Liverpool have to keep winning, those two will be needed to break defences, especially if Dalglish has to keep filling Whelan's place in midfield with defenders and if Hysen and Gillespie, his occasionally ponderous and earthbound central defenders, and Grobbelaar, his brilliant but eccentric goalkeeper, have any more nightmare matches, such as that at Manchester United on Hallowe'en in the less important Rumbelows cup.

Even though injury is stretching his ageing squad to its limits, Dalglish is probably already scheming for the showdown against Arsenal at Highbury next month. Not that he would admit to it.

Managing nicely: Kenny Dalglish, Liverpool's tight-lipped manager

Racing

Best of breed reads

FROM THE Aga Khan to Joe Bloggs, writes Michael Thompson-Noel, racehorse owners have one thing in common: the dream of buying (or breeding) a cheapish yearling colt that proves a smash hit on the track and then blossoms into a megawatt stallion whose offspring sell for millions.

In 1962, a Toronto owner called Larkin Maloney liked the look of a yearling that was later named Northern Dancer and became the greatest stallion in horse racing history. Over a 23-period, 295 of Northern Dancer's yearlings were sold for a total of $184m.

When Northern Dancer started his stud career, the world record for a yearling stood at $170,000. Eventually, one of Northern Dancer's sons fetched $10.2m, and a grandson made $13.1m.

As bloodstock writer Tony Morris explains in his new book, *Thoroughbred Stallions*: "By the time his own reduced fertility resulted in his retirement from breeding in 1987, Northern Dancer had around 120 sons at stud, many of them apparently in possession of, and transmitting, the vital gene groupings so obviously important in the make-up of the successful racehorse."

The only trouble for Larkin Maloney was that he didn't buy Northern Dancer.

"He's just too small, he'll never amount to much," Maloney's trainer told him. Funny thing, but no-one else was prepared to bid the $25,000 asking price for the little colt (by Nearctic out of Natalma), so his breeder, Eddie Taylor, was obliged to keep him. Imagine Maloney's feelings as the years rolled by and the Northern Dancer millions started to flood in. But such is life.

There are plenty of junk books about racing. But there are some good ones as well, and *Thoroughbred Stallions* is one of the good ones. There is the sheer glamorousness of the subject. Top stallions cost megabucks, are symbols of virility, and are reckoned to have a pronounced influence on the evolution of the breed: the average broodmare produces about eight foals in a lifetime, whereas a popular stallion may produce 600. Opportunity, says Morris, overwhelmingly favours the male.

Part of the attraction of Morris's book lies in the charm and detail of his profiles of 75 stallions, and the way he charts key events in their racing and stud lives. Yet the importance of the book lies not in Morris's sweeping knowledge of racing and breeding but in his ability to see through the hype of the bloodstock business.

Read this book, and you will bang your head in amazement at the foolishness of those who have squandered ridiculously bloated sums on racehorses – sums that can never be justified, particularly in Britain, by the underlying economics of the sport or the breeding game, which are extremely fragile. Some of the worst hype of all concerns stallions and their stud fees. Morris will tell you why.

● *Thoroughbred Stallions, by Tony Morris, The Crowood Press, £18.95.*

News in brief

Snooker's Gulf expedition

CRISIS? What crisis? That was the question the world's top snooker players asked themselves this week as they soaked up the sun in Dubai. There was no sign of a Gulf war, only a golf war as the Desert Rats dogged the Rat Catchers in the annual challenge match between players and members at the Emirates Golf Club. As world snooker champion Stephen Hendry walked the fairways of this oasis in the desert, trouble seemed a million miles away.

Yet Dubai, part of United Arab Emirates, is little more than 600 miles from the danger zone. The tension in the Middle East cast doubt over the staging of this year's £200,000 Dubai Duty Free Snooker Classic, but none of the 16 players who qualified for the final phase decided to pull out.

Nobody was disappointed. The players were royally entertained, each one leaving with at least a Cartier gold watch, a gift from His Highness Sheikh Maktoum bin Rashid Al Maktoum, the ruler of Dubai. Sheikh Maktoum recently succeeded his father, the late Sheikh Rashid, who was aware of how sport could help draw attention to Dubai.

Dubai is viewed as the sports capital of the Middle East, partly because of its costly facilities but also because of its enthusiasm for staging world-class events. The Emirates Airline Desert Classic, played on a 6,618-yard, par-72 golf course carved out of the desert, is the furthest outpost on the PGA European Tour, and has attracted big names like Nick Faldo and Seve Ballesteros.

Following the snooker this month will be the Dubai Sevens, claimed to be the biggest international club rugby sevens tournament in the world.

The name Saddam Hussein has been dominating the front pages of newspapers, yet the *Gulf News* found room on its front for a quarter-page advert from Barclays Bank congratulating employee Masood Akil on beating snooker star Steve Davis 2-1 in an exhibition match. It was no fluke – Davis made a century break in the second frame. Quite possibly, the Middle East will soon be exporting its own sporting stars.

■ **Cricket, Adelaide:** Glenn Bishop and Paul Nobes shared a 275-run second-wicket partnership yesterday as South Australia moved into a commanding position on the first day of their four-day match against England. Bishop and Nobes both scored centuries as the Australian state team reached 316-3 at stumps.

England captain Graham Gooch sent the South Australians in to bat at an overcast Adelaide Oval, but regretted his decision as the England attack failed.

Bishop was unbeaten on 146 at the close, while Nobes scored his second first-class century with 131.

■ **Golf, Tokyo:** Nick Faldo missed the cut in the $1m Taiheiyo Masters yesterday, taking an eight at the par-five 18th when hitting two balls into a lake guarding the green. The US Masters and British Open champion missed out by one stroke after his triple bogey on the 517-yard hole left him with a second-round six-over par 78 for a two-round 146.

"Today is the worst. This is the first experience I've had like this," said Faldo. It was the first time since March 1989 that he had missed a cut. Victory here would have put him back at the top of the world rankings, displacing Australia's Greg Norman.

■ **Golf, Madrid:** The new £60m resort of San Roque in southern Spain has signed a contract with the European golf tour to host the Tournament Players' Championship from 1992 to 1996. "With annual prizemoney totalling £600,000, this will become one of the richest events in Europe," said Ken Schofield, the tour's executive director. The course is 20 minutes from Gibraltar.

■ **Weightlifting, Budapest:** Weightlifters from 25 countries competing in the world championships starting today will undergo tough drug tests imposed by the sport's ruling body in an attempt to clean up its image. Jeno Boskovics, spokesman for the World Weightlifting Federation, said all medal winners and at least half the 220 competitors would undergo steroid profile tests.

The test can detect drug use by an athlete at any time within the previous eight months. Its introduction has deterred a number of the sport's leading competitors from entering the championships, although the official reason for their absence is injury or other commitments, Boskovics said.

The federation realised that stringent measures were needed after five weightlifters were disqualified for drug abuse during the 1988 Seoul Olympics. Influential voices urged that weightlifting be removed from the list of Olympic sports, though this threat is said to have receded.

TELEVISION & RADIO

SATURDAY

†indicates programme in black and white

BBC1

7:35 am Babar the Elephant. 8:00 am Breakfast Serials. 8:35 Bravestarr. 9:00 Going Live! 11:15 The Lord Mayor's Show. 12:12 pm Weather.

12:15 Grandstand including 12:20 Football (European Cup second round second legs); 12:25 Rowing (World Championships from Tasmania). 12:45 Racing from Cheltenham. 12:55 News; 1:00 Rowing. 1:20 Racing from Cheltenham; 1:30 Rallying (Round 3 of the Mobil 1 Rally Challenge); 1:55 Racing from Cheltenham; 2:10 Rugby League (Great Britain v Australia at Old Trafford); 3:50 Football; 4:00 Rugby Union (highlights of Scotland v Argentina at Murrayfield); 4:45 Final Score.

5:00 News. 5:10 Regional News and Sport. 5:15 Tom and Jerry Triple Bill. 5:35 The Noel Edmonds Saturday Roadshow.

6:20 Every Second Counts. 6:5 Russ Abbott. 7:25 Challenge Anneka. 8:15 All Creatures Great and Small 9:05 News and Sport. 9:25 Royal British Legion Festival of Remembrance in the presence of HM The Queen and members of the Royal Family at the Royal Albert Hall. 10:55 "Harem", starring Nastassja Kinski and Ben Kingsley. 12:30-12:45 am Weather.

BBC2

9:00 am Open University. 10:40 Endless Summer 11:10 Pitfalls of a Sporting Life. 11:25 Balloon. †11:55 The Honeymooners.

†12:20 pm Film: "Gold Diggers of 1933" starring Ruby Keeler, Dick Powell and Joan Blondell. 1:55 Discoveries Under Water. 2:45 *Mahabharat (in Hindi with English subtitles).* 3:25 Film: "Sweet Charity" starring Shirley MacLaine, Ricardo Montalban, Sammy Davis *Jr and Stubby Kaye.*

5:45 Mexico Vivo. 6:10 Late Again. 6:55 Newsview. 7:40 The Ring of the Nibelung *(with Radio 3)*: the ten-part screening of Wagner's operatic cycle in Nikolaus Lehnhoff's Bavarian State Opera production continues with Act 2 of 'Siegfried' 9:05 Saturday Night Clive. 9:50 *Moving Pictures.* 10:40 Twin Peaks. 11:30-1:30 am Film: "The Last Picture Show," starring Timothy Bottoms and Jeff Bridges.

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Children's ITV: Motormouth. 11:30 The ITV Chart Show. 12:30 pm Posh Frocks & New Trousers. 1:00 ITN News followed by National Weather. 1:05 Local News and Weather. 1:10 Saint & Greavsie. 1:40 Sportsmasters. 2:10 The Action Movie: "The Looters" starring Frederick Stafford and Jean Seberg.

4:00 International Rugby Union: France v New Zealand (highlights of Second Test from Nantes). 4:45 Results Service. 5:00 ITN News, followed by National Weather. 5:05 Local News and Weather. 5:15 Disney Cartoon Time. 5:25 The New Adventures of Black Beauty. 6:55 Catchphrase. 6:25 Blind Date. 7:25 Beadle's About. 7:55 Stay Lucky.

9:00 ITN News and Sport followed by National Weather. 9:15 Local Weather. 9:20 The ITV Saturday Movie: "Aliens" starring Sigourney Weaver, Michael Beihn and Carrie Henn. 11:15 Philip Marlowe: Private Eye.

CHANNEL 4

7:35 am International Times. 8:00 am Transworld Sport. 9:00 News Summary. 9:03 Channel 4 Racing: The Morning Line. 9:25 Sing and Swing. 9:30 Same Difference. 10:00 Check Out. †10:30 "Judge Hardy and Son". 12:10 pm Rickshaw Man. 12:25 American Football Red 42.

12:55 Channel 4 Racing from Newmarket. 12:55 "Alexander's Ragtime Band", starring Tyrone Power and Don Ameche. 4:55 Topspin 5:10 Brookside Omnibus. 6:30 Right to Reply 7:00 The World This Week. 8:00 Adventures: On the Trail of the Chinese Wildman. 9:00 L.A. Law. 10:00 Film on Four International presents "The Emigrants" (with English subtitles). 12:15 am The Week with Jonathan Ross. 12:45 Snoops. 1:40 The Word.

S4C WALES

As Channel 4 except:

9:55 am Owl TV. 10:25 Hard News. 10:55 Check Out. 11:25 Gardeners Calendar. 11:55 Tonight with Jonathan Ross. 2:55 Feature Film: *"H M Pulham, Esq."* 6:30 Newyddion. 6:40 Siec Yn Dynn. 7:10 Gwyl Cerdd Dant Cymru. 8:40 Y Maes Chwarae. 9:40 Gwyl Cerdd Dant Cymru.

IBA Regions as London except at the following times:

ANGLIA

12:30 pm Here Come the Double Deckers. 11:15 Starring Lee Marvin in "Prime Cut".

BORDER

12:30 pm Supercross: The UK Open. 11:55 Starring Sylvester Stallone in "Rhinestone", with Dolly Parton.

CENTRAL

12:30 pm Just Champion. 2:10 "The Kid with the 200 IQ". 11:55 Cinematractions. 12:25 am "Carry on Dick" featuring the "Carry On" team.

CHANNEL

12:30 pm Art Attack. 12:50 Cartoontime. 1:55 Diary Dates. 11:55 "The Executioner".

GRAMPIAN

12:25 pm Le Durachd. 12:40 Abairl 12:50 Max, the 2000 Year Old Mouse. 2:10 Coronation Street. 3:05 Matlock. 4:45 Scotsport Results. 5:10 Crlomagan. 11:55 Feature Film: "Rhinestone".

GRANADA

12:30 pm Here Come the Double Deckers. 12:50 Max, the 2,000- year-old Mouse 2:10 Saturday Matinee: "Garden of Evil", starring Gary Cooper and Susan Hayward. 11:15 Starring Sylvester Stallone in "Rhinestone".

HTV

12:30 pm The World of Golf 2:10 Coronation Street. 3:05 The Life and Times of Grizzly Adams 11:15 Magnum, P I

HTV Wales as HTV except:-

11:15-12:55 am Rugby Round-Up

SCOTTISH

12:30 pm NB. 2:10 Coronation Street (Omnibus edition). 3:05 The Love Boat. 4:45 Scotsport Results 11:15 The Concert.

TSW

12:30 pm The South West Week. 2:10 Coronation Street (Omnibus edition) 3:05 The Life and Times of Grizzly Adams. 5:05 TSW News and Sport. 5:10 Gus Honeybun's Magic Birthdays. 11:55 Starring Sylvester Stallone in "Rhinestone" with *Dolly Parton*

TVS

12:30 pm Art Attack. 11:15 "The Executioner" starring George Peppard and Joan Collins.

TYNE TEES

12:30 pm Posh Frocks and New Trousers. 11:55 "Rhinestone" starring Sylvester Stallone and Dolly Parton".

ULSTER

12:30 pm 11:55 "Rhinestone" starring Sylvester Stallone and Dolly Parton.

YORKSHIRE

12:30 pm The World of Golf. 2:10 Coronation Street. 3:05 Charlie's *Angels.* 11:05 *Tour of Duty.* 12:50 am ITN News Headlines followed by "A Taste of Evil".

BBC RADIO 2

(S) Stereo on FM

6:05 am Ronnie Hilton with Sounds of the 50s 9:00 Brian Matthew with Sounds of the 60s. 10:00 Sue Cook 12:05 pm Gerald Harper. 1:30 The News Huddlines. 2:00 *Jeremy Nicholas delves into the BBC Gramophone* Library. 3:00 Gerry Anderson. 4:45 Martin Harris at the Wurlitzer, Cannon Cinema, Harrow. 5:00 Cinema 2. 5:30 Movie Quizz. 6:00 Country Greats in Concert. George Hamilton IV introduces The Judds. 7:00 Beat the Record. 7:30 Easy Does It with the BBC Big Band. *8:00 Royal British Legion* Festival of Remembrance. 10:00 Radio 2 Arts Programme with Sheridan Morley. 12:05 am Cinema 2. 12:30 Pop Score. 1:00-4:00 Night Ride.

BBC RADIO 3

7:00 am Morning Concert. 8:30 News. 8:35 Fauve and Ravel. Piano trios played by the Beaux Arts Trio. 9:30 Saturday Review. 12:55 pm Words with James Naughtie. 1:00 News. 1:05 Takacs Quartet. Haydn (Quartet in D Op 76 No 5), Beethoven (Quartet in E minor, Op 59, No 2, 'Rasumovsky'. 2:15 BBC Symphony Orchestra at 60 4:00 Tuning Up. *Chris de* Souza talks to the viol consort Fretwork, who play music by Purcell, Locke, *Benjamin, Young and William Lawes.*

5:00 Jazz Record Requests. 5:45 Third opinion in Newcastle. 6:30 Anne Queffelec (piano): Mendelssohn (Variations serieuses). Beethoven (*Sonata in E flat Op 31 No 3*). Brahms (Variations and fugue on a Theme of Handel).

7:40 The Ring of the Nibelung *(with BBC2).* The Bavarian State Opera production of Wagner's operatic cycle continues with Act 2 of 'Siegfried' 9:05 Grieg. Violin sonatas played by Dong-Suk Kang with Pascal Devoyon (piano). 9:55 Issues. 10:20 "Acis *and Galatea"*, by Handel in a performance on discs directed by Robert King with the King's Consort and singers. 12:00-12:05 am News.

BBC RADIO 4

7:00 am Today. 9:00 News 9:05 Sport on 4. 9:30 Breakaway. 10:00 News; Loose Ends (s). 11:00 News: The Week in Westminster 11:30 *Europhile.* 12:00 *Money Box.* 12:25 pm The News Quiz (s). 12:55 Weather. 1:00 News. 1:10 Any Questions? 1:55 Shipping Forecast. 2:00 News; Any Answers? 2:30 Saturday Playhouse (s). 4:00 News; Looking Eastwards to the Sea (s). 4:30 Science Now

5:00 Largely Walters. 5:25 Week Ending. 5:50 Shipping Forecast 5:55 Weather 6:00 News, Sports Round-up 6:25 Citizens. (omnibus) (s). 7:10 Stop the Week with Robert Robinson (s). 7:45 Classic Serial. The Forsyte Chronicles (s) 8:45 Tough Cookies (s) 9:10 *Music in Mind* (s) 9:50 Ten to Ten (s). 9:59 Weather. 10:00 News. 10:15 Open Mind. Discussion chaired by Edward Mortimer of the Financial Times 10:45 Uncle Mort's South Country (s). 11:00 Richard Baker Compares Notes with Peter Phillips and Bruno Turner 11:30 *The Sit-Crom* (s). 12:00-12:30 am News 12:33 Shipping Forecast.

BBC RADIO 5

6:30 am Morning Edition. 9:02 On Your Marks. 12:00 Sport on 4 Plus 1. 12:30 pm Sports Call. 1:30 Sport on 5 Football, from *the Barclays League, Rugby Union: (France v* New Zealand, Scotland v Argentina); Rugby League (Great Britain v Australia); Racing, Cricket: 5:00 Sports Report. 6:00 As Radio 4. 10:00 Sport. 10:15 As Radio 4 11:00 Sport. 11:10 World Service 12:00-12:10 am Sport.

SUNDAY

†indicates programme in black and white

BBC1

8:45 am Through the Garden Gate. 9:15 A Vous la France!. 10:15 Business Matters. 10:30 The Cenotaph: For Remembrance Sunday, the Queen lays a wreath of poppies at the Cenotaph 11:55 This is the Day. 12:05 pm See Hear! 12:30 Country File. 1:00 News; On the Record. 2:00 EastEnders. 3:05 The Flintstones. 3:30 Smash Hits Poll Winners' Party (with Radio 1)

5:00 The Clothes Show. 5:25 Hearts of Gold. 6:10 Sum Chance 6:20 News. 6:35 Songs of Praise for Remembrance. 7:15 You Rang M'Lord?. 8:05 Howards' Way. 9:00 The Green Man. 9:50 News. 10:05 Heart of the Matter 10:40 The Days and Nights of Molly Dodd. 11:05 Clean Slate. 11:35 Mahabharat.

BBC2

7:30 am Children's BBC Two starts with King Rollo 7:35 Playdays. 7:55 Corners. 8:10 Pinocchio. 8:30 Movable Feasts. 8:45 Lift'l Bits. 9:10 Corners. 9:30 Dungeons and Dragons. 9:55 Blue Peter Omnibus. 10:40 Uncle Jack and Operation Green.

11:10 Boxpops. 11:50 The O-Zone. 12:00 Regional Previews of the Parliamentary Week. 12:30 pm Scrutiny. 1:00 One in Four. 1:30 Arabia: Sand, Sea and Sky 2:20 Troubleshooter 3:00 Film: "The Searchers" with John Wayne, Jeffrey Hunter, Vera Miles and Harry Carey Jr 5:00 Rugby Special. 6:00 Juke Box Jury 6:30 The Money Programme. 7:15 The Trials of Life 10:05 Not Only ..But Also 8:35 Nippon. 9:35 The Cenotaph (Highlights of this morning's parade and service in Whitehall). 10:40 Film: "Pennies from Heaven" with Steve Martin. 12:20 am Dance Energy. 1:05-1:40 Rapido.

LONDON

6:00 am TV-am Breakfast Programme 9:25 Children's ITV: The Disney Club 10:15 Link. 10:30 Remembrance Day Service from St Mary's Church, Ovingham, Northumberland. 11:30 Oh, What a Lovely Tour!. 12:00 The Human Factor. 12:30 pm LWT News Weekend. 1:00 ITN News followed by National Weather. 1:10 Walden, with Tom King, the Secretary of State for Defence. 2:00 Charlie's Angels 2:55 The Match: Manchester City v Leeds United. 5:05 Sunday Sunday.

6:00 The River Thames. 6:30 ITN News, followed by National Weather. 6:35 Local News and Weather. 6:40 Highway. 7:15 Close to Home. 7:45 The Ruth Rendell Mysteries 8:45 ITN News followed by National Weather. 9:00 Local Weather. 9:05 London's Burning. 10:05 Spitting Image. 10:35 The South Bank Show...Spitting Image. 11:35 Comics, the Ninth Art. 12:10 am The ITV Chart Show

CHANNEL 4

7:00 am Gardeners' Calendar 7:30 Once Upon a Time...Life. 8:00 Dennis. 8:30 Bobobobs. 9:00 Early Bird. 9:25 Orientations. 10:00 A Week in Politics - Second Reading. 10:45 Dennis. 11:00 Owl TV. 11:30 Grim Tales 11:45 The Astrology Show. 12:00 The Waltons. †1:00 pm Voyage to the Bottom of the Sea. 12:00 Film: "Laughter in Paradise" with Alastair Sim, Fay Compton, George Cole and Guy Middleton. 3:50 Dick Turpin - Highwayman. †4:15 Nat King Cole Show. 4:45 Answering Back: Mary Goldring's guest this week is the chairman of the Anglo-American Corporation, the largest company in South Africa.

5:30 News Summary and Weather followed by Road to Avonlea. 6:30 The Cosby Show. 7:00 Equinox: Patently Obvious? 8:00 American Football. 9:30 The Media Show. †10:15 "Paper Moon" with Ryan and Tatum O'Neal. 12:10 am Film: "Death in a French Garden" (Peril en la Demeure) (French with subtitles).

S4C WALES

As Channel 4 except:-

10:45 am Land of the Giants. 12:55 pm Now You're Talking. 1:20 O Bedwar Ban. 1:50 Bwrw Allan. 2:00 Equinox. 3:00 Adventures. 4:00 "Hangover Square" with Laird Cregar. 6:30 Grim Tales. 6:45 San Steffan. 7:05 Newyddion. 7:10 Gwyntryn. 8:00 Hel Straeon. 8:30 Dechrau Canu, Dechrau Canmol 9:00 Arest. 9:50 American Football. 11:20 The Media Show 12:05 am Hungarian cartoon.

IBA Regions as London except at the following times:

ANGLIA

12:30 pm Farming Diary. 2:00 Members Only. 2:25 World of Golf. 5:00 Highway to Heaven. 6:00 Bullseye. 11:35 Prisoner: Cell Block H.

BORDER

12:30 pm Gardening Time. 2:00 Coronation Street (omnibus). 6:00 Scotsport. 6:00 Bullseye. 11:35 Prisoner: Cell Block H.

CENTRAL

12:30 pm Gardening Time. 2:00 Coronation Street (omnibus). 5:05 Bullseye. 5:35 The A-team. 11:35 Prisoner: Cell Block H.

CHANNEL

12:30 pm Reflections. 12:35 Les Francais Chez-Vous. 12:50 Tele-Journal. 2:00 Katts and Dog. 2:25 Hillary's Adventures. 5:05 The A-team. 6:00 Bullseye. 11:35 The Human Factor. 12:05 am The New Avengers.

GRAMPIAN

11:35 am Let's Rejoice. 12:30 pm Jock Thompson Down Under. 2:00 Rebellion of the Plous. 3:00 Highway to Heaven 4:00 The World of Golf. 4:30 Bullseye. 5:00 Scotsport. 6:00 Scotland's Larder. 11:35 Prisoner: Cell Block H.

GRANADA

12:30 pm Granada This Week. 2:00 Richmond Hill. 5:05 Bullseye. 5:35 Coronation Street (omnibus). 11:35 Prisoner: Cell Block H.

HTV

12:30 pm The Spectacular World of Guinness Records. 2:00 Clive's Walks, followed by Weather for Farmers. 2:30 HTV Newsweek. 5:05 Highway to Heaven. 6:00 Bullseye. 11:35 Prisoner: Cell Block H.

HTV Wales as HTV except:-

12:30-12:55 pm Survival. 2:00 Farming Wales, followed by Weather for Farmers. 2:30-2:55 Wales on Sunday

SCOTTISH

12:30 pm The Gods of War. 2:00 Scottish Supplement. 2:30 Glen Michael's Cartoon Cavalcade. 3:00 Gone for a Soldier. 4:00 Baywatch. 5:00 Scotsport. 6:00 NB Special. 11:35 Scottish Books. 12:05 am Taxi.

TSW

12:30 pm Farming News. 2:00 Walt Disney Presents, followed by Gus Honeybun's Magic Birthdays. 2:25 Platform 25 5:05 The A-team. 6:00 Bullseye. 11:35 Murphy's Law

TVS

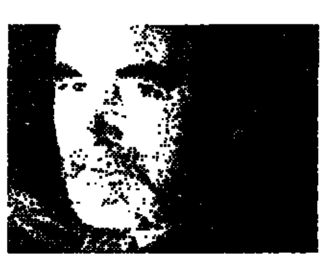
12:00 pm TVS News. 12:30 Agenda. 12:55 TVS Weather and Farming Weather. 2:00 Katts and Dog. 2:25 Hillary's Adventures. 5:05 The A-team. 6:00 Bullseye 11:35 The Human Factor. 12:05 am The New Avengers.

TYNE TEES

12:25 pm Country Matters. 2:00 Wanted Dead or Alive. 2:25 The Back Page. 5:05 All Clued Up. 5:35 Coronation Street. (Omnibus edition) 11:35 The Silk Road.

ULSTER

12:30 pm Gardening Time. 2:00 Farming Ulster. 2:30 Bullseye. 5:05 We Will Remember



Equinox: Patently obvious. With artist Tom Phillips

Them. 5:35 Coronation Street. 11:35 Ulster Newstime. 11:40 Prisoner: Cell Block H.

YORKSHIRE

12:25 pm Goals on Sunday. 2:00 Where They Flew and Where They Fell. 2:30 The Spectac*ular World of Guinness Records.* 5:05 Highway to Heaven. 6:00 Bullseye. 11:30 Scrumdown.

BBC RADIO 2

(S) Stereo on FM

7:30 am Don Maclean says 'Good Morning Sunday'. 9:05 Richard Baker with 'Melodies for You'. 10:50 The Cenotaph, followed by the two-minute silence at 11:00 and then the Last Post. 11:05 Desmond Carrington with 'Radio 2 All-Time Greats'. 2:00 pm Benny Green. 3:00 Alan Dell with *Sounds Easy.*

4:00 The Radio Orchestra Salutes. 4:30 Sing Something Simple. 5:00 Charlie Chester. 7:00 John Lawrenson with a musical showcase of favourite melodies 8:00 The Wallace Collection. 8:30 Sunday Half-Hour 9:00 Alan Keith with 'Your Hundred Best Tunes'. 10:05 Radio 2 Arts Programme 12:05 am Jeremy Nicholas. 1:00-4:00 Night Ride.

BBC RADIO 3

7:00 am Morning Concert. 8:30 News. 8:35 The Sun King at Worship. 9:15 Busch String Quartet: Beethoven (Quartet in F Op 18 No 1). Brahms (Clarinet Quintet in B minor Op 115) 10:15 Music Weekly. 11:00 Decade by Decade.

12:50 pm Table Talk. 1:00 News 1:05 Your Concert Choice. 2:30 Celebrity Recital. John Lill (piano): Rachmaninov (Etudes-tableaux Op 39), Prokofiev (Sonata No 9). 3:40 *Poet of the Month:* Michael Ondaatje 3:50 Mahler: 'Das klagende Lied'.

5:05 Soundings: Michael Oliver visits this year's Gaelic Mod at Govan and goes in search of a living folk music tradition 6:00 In Remembrance of Me: A meditation for Remembrance Day. 7:00 A Very Great Loss to English Music.

7:30 Sunday Play: "Sweeney Astray" by Seamus Heaney 11:40 Rameau: Pièces de clavecin en concerts Nos 1 & 5 played by Frans Bruggen (flute), Sigiswald Kuijken (baroque violin), Wieland Kuijken (gamba), and Gustav Leonhardt (harpsichord) 12:00-12:05 am News

BBC RADIO 4

7:00 am News 7:10 Sunday Papers. 7:15 On Your Farm 7:40 Sunday 8:50 Appeal by Brian Redhead on behalf of an organisation that works for the single homeless throughout the UK. 8:55 Weather. 9:00 News. 9:10 Sunday Papers. 9:15 Letter from America by Alistair Cooke. 9:30 The Archers. 10:30 Service of Remembrance from the Cenotaph (s).

11:40 Each One Commemorated Individually. 11:45 Not for Glory. 12:15 pm Desert Island Discs (s). 12:55 Weather. 1:00 The World This Weekend 1:55 Shipping Forecast. 2:00 Gardeners' Question Time. 2:30 *Sunday Playhouse* (s). 3:30 The Radio Programme. 4:00 News Analysis. 4:47 Time for Verse. 5:00 News; Down Your Way.

5:40 The Finer Things 5:50 Shipping Forecast. 5:55 Weather 6:00 News. 6:15 Feedback: Chris Dunkley airs listeners' complaints about BBC programmes and policy. 6:30 Europhile. 7:00 The Lady Chatterley Trial (s). 9:20 Open Mind. 9:59 Weather 10:00 News. 10:15 Arthur - The King (s). 11:00 In Committee 11:30 Seeds of Faith (s). 12:00-12:30 am News

BBC RADIO 5

6:00 am World Service. 7:30 am Sunday Edition. 9:02 This Family Business 10:30 Education Matters 11:00 The Cenotaph. The Two-Minute Silence 11:02 Soundwaves. 11:30 Talking Poetry. 12:00 Sport, followed by an interlude. 12:15 pm As Radio 4 1:00 Sport 1:03 A Vous La France! 1:30 España Viva. 2:00 Sunday Sport Extra. 6:00 Sport. 6:10 Open University 6:30 As Radio 4. 7:00 As Radio 1. 9:00 Nightbeat. 9:30 Across the Line. 11:05 *World* Service. 12:00-12:05 am Sport.